

Nation's Business

A USEFUL LOOK AHEAD

OCTOBER 1959

286.8

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~~REPORT ONLY~~

WHAT peace WOULD DO TO YOU


Union leaders move into government **PAGE 38**

These forces affect your pay **PAGE 40**

What election-year Congress will do **PAGE 31**

New way to attract brain power **PAGE 82**



 Interstate 35 (U.S. 65) near Owatonna, Minn. It's new-type concrete.

**"How flat can a highway be?
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preferred pavement!

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What Does Big Business Do for Little Business?



BIG HELP FOR SMALL BUSINESS and a big help for us too. Western Electric Company representative (left) discusses order with one of its many small business suppliers. Item purchased here is spring used in Bell telephone dials. Millions are bought every year.

It does a great deal.

The Bell System, for instance, buys from many small businesses.

In 1958, its manufacturing and supply unit, the Western Electric Company, did business with more than 30,000 other firms throughout the country. Nine out of ten of these suppliers had fewer than 500 employees.

Purchases totaled more than \$1,000,000,000.

In addition, Bell System employees spent a large part of their \$3,750,000,000 wages with hundreds of thousands of other businesses.

The Bell System also helps many a small business get started and grow by making its inventions and its product designs available to others on reasonable terms.

Nearly eighty companies, for example, have been licensed to make and sell transistors and thus extend the usefulness of this amazing Bell Telephone Laboratories invention.

There is no doubt that it has been one of the biggest factors in the electronics boom.

BELL TELEPHONE SYSTEM



Nation's Business

October 1959 Vol. 47 No. 10

Published by the Chamber of Commerce of the United States
Washington, D.C.

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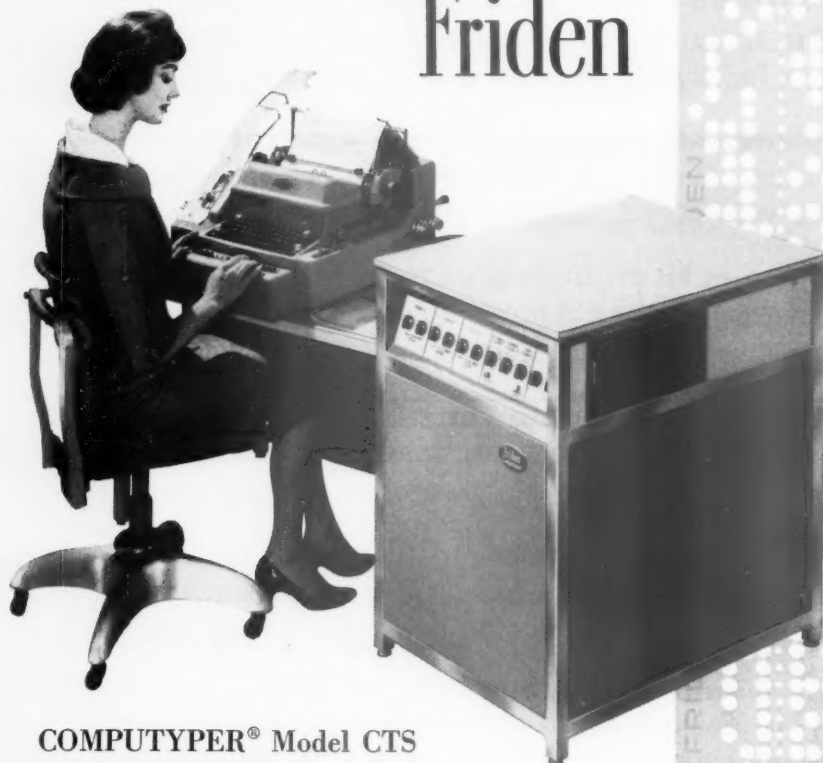
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management's WASHINGTON LETTER

►PEACE RECESSION? Don't worry.

If peace comes, look for boom--not bust.

Here's why:

American housewives have more to spend than the Secretary of Defense.

And they can be counted on to make up any loss to the total economy by boosting personal consumption expenditures.

Look what happened the last time defense spending was cut \$10 billion.

That's how much was trimmed between '53 and '55.

Consumers more than made up the amount of the cut by boosting consumption expenditures \$24 billion a year.

Other details on page 92.

►ECONOMIC FACT WORTH NOTING:

Total value of all goods and services being produced in U. S. will soon reach annual rate of \$500 billion.

That's up from:

\$100 billion in '40.

\$200 billion in '43.

\$300 billion in '50.

\$400 billion in '55.

►DEFENSE PROCUREMENT will nose-dive.

Research spending will skyrocket.

You've probably heard this, wondered about it.

Over-all figures show:

Defense buying will fall off about \$2 billion, defense research spending will zoom an estimated \$1.1 billion.

But don't count defense chicks before they're hatched.

Look behind over-all figures, check details of defense plans, you'll see a different story.

Here it is:

Spending will change--but not the way over-all figures indicate.

About \$800 million worth of defense dollars formerly carried on the books under procurement has been quietly shifted to the research and development ledger.

That boosts what we plan to spend for research to more than \$3.8 billion--which looks like a \$1.1 billion increase.

But the increase is due almost entirely to bookkeeping changes.

Actual research increase is about \$300 million.

On the procurement side, total enacted for this year exceeds \$13.3 billion.

That's down from \$15.3 billion last year--which looks like a \$2 billion drop.

But big part of the difference is accounted for by the bookkeeping switch.

So the slide-off in defense buying has been exaggerated--chiefly to improve the appearance of the research side of the ledger.

Actual procurement will fall by no more than a probable \$1.1 billion--not the \$2 billion you've heard about.

Operation and maintenance meanwhile will go up about \$380 million.

Over-all defense spending this year may go up about \$200 million.

►TRADE WITH RUSSIA is a mirage.

Fact is, Russia has nothing for sale that U. S. needs or wants.

So far this year we've bought about \$15 million worth of goods from Russia.

That's almost as much as we bought in all of '58.

So far we've sold about \$4 million worth of goods to the Russians.

Here's what we're getting from the Soviets:

Furs, benzene, platinum, palladium, naphthalene, cotton lint, licorice roots, caviar, animal hair, sausage casings, etc.

(We bought \$130,000 worth of caviar, almost as much animal hair.)

Russian purchases from us include:

Steel sheets, chemicals, woodworking machines, cattle hides, type-setting machines, printing presses, scientific and professional instruments, autos, trucks, buses, etc.

But Russian purchases show no pattern.

Here are some recent orders:

Butyl alcohol, carbon black, color film and color film developer, other chemicals and plastics, centrifugal pumps, dairy and milk processing equipment, industrial sewing machines, motion picture film.

Small quantities and single items are often bought.

Such as:

Animal feed, \$8,096; ball bearings, \$1,063; roller bearings, \$647; heating equipment and parts, \$626; Electric-

sweeper with two batteries, \$5,060.

Pressure fans, parts, \$3,910; automatic pipe valves, \$160; tires, tubes for farm tractor, \$140; diesel tractor, \$6,025; air conditioner, \$4,367.

Safety apparel and equipment for factory workers, \$1,584; and so on.

Government foreign-trade specialists tell NATION'S BUSINESS that, on balance, this is what you can expect in the future--more of the same.

Volume of trade with Russia might double.

But look at it this way:

Currently, Russia is buying 0.003 per cent of all we produce in this country.

Double that and you've got 0.006 per cent.

►IF YOU'RE FEELING A PINCH from foreign competition, take a look at this.

We're buying more from other countries and selling less to them.

Here's the picture unfolding:

Our commercial exports are averaging \$35 million per month less than last year's average and \$300 million a month less than average two years ago.

Merchandise we're buying from other countries now is averaging \$170 million more than '58 average--and latest month is \$300 million higher.

Meaning of these trends for American businessmen is this:

If you sell foreign-produced goods, your business is booming.

If you sell U.S.-produced goods abroad, your competition is keener.

Foreign trade specialists think these trends will continue for some time.

►WORLD TRADE IS CHANGING from seller's market to buyer's market for U. S.

That's view of Henry Kearns, Assistant Secretary of Commerce for International Affairs.

He thinks it's unrealistic to expect that U. S. exports can exceed imports always.

But you can expect more export business in the future.

U. S. is not pricing itself out of foreign markets, he says.

You cannot sell goods world-wide on price alone, Mr. Kearns points out.

Other factors can give a competitive advantage--such as:

Product guarantee, better maintenance servicing, standardization of parts, design improvements, use of credit.

►CONGRESSIONAL ACTIONS boost spending for fiscal '60 and threaten chances for an expected budget surplus next July.

Examples:

Federal lending--New action adds about \$100 million for housing loans to veterans.

Hospitals--Spending increase of about \$100 million will result from appropriation for federal health research and hospital programs.

In some cases, action Congress didn't take threatens budget balance.

Examples:

Highways--Spending will rise estimated \$41 million because Congress didn't act on a request to pay for certain forest and public land highways out of Highway Trust Fund.

Postal rates--An increase of about \$350 million will result from Congress' failure to boost postal rates.

Other factors:

Interest rates--Cost of financing the federal debt will run more than \$500 million higher than anticipated.

Defense--Over-all outlay for major national defense, including military aid to foreign countries, may rise by \$200 million.

Note: End of the fiscal year is eight months away--many forces will shape the ultimate spending record by then.

But fiscal officials now are less hopeful about the chances of balancing the '60 budget with \$1 billion to \$2 billion surplus.

►MAGIC NUMBER is \$80.5 billion.

That's line where budget planners are seeking to hold federal expenditures for fiscal '61.

That budget is being worked out now behind closed agency doors.

It'll be finished by early December, made ready for Congress in January.

Some spending increases are coming--for such things as interest on federal debt, public works, aviation, space research, other programs.

Official admits:

Federal spending is moving toward a higher bracket. Pressure is definitely

on the up side. What planners hope to do is balance out some of the increases with a few decreases.

And \$80.5 billion is their goal, although \$81 billion or more is a strong likelihood.

►WHAT HAPPENS TO REVENUE in '61 could pave way for minor tax relief.

Here's what to look for:

Good business conditions next year, high employment, good pay could push federal revenue up to \$83 billion.

That's blue-sky figure now being talked about quietly by official insiders. It's thought possible.

Note \$80.5 billion spending goal mentioned above.

That means President next January could propose '61 budget with estimated surplus as high as \$2.5 billion.

If that happens, pressure for tax cut in the presidential election year will be very strong indeed.

But note that tax-cut prospects depend on two things:

1. Improving business bringing in more revenue.

2. Administration's being able to hold the line on expenditures.

First official announcement about '61 finance will come from the President in January.

►SPACE PROJECTS you'll be hearing more about:

Project Scout--First shots planned for early next year; will put 100 to 200 lbs. of instruments into orbit; speed may reach 25,000 mph.

Project Vega--This one's headed for the moon; may carry television camera into orbit around the moon, show other side.

Project Rover--First efforts to build a nuclear rocket engine; wanted is atomic engine that could put 55,000-lb. payload into orbit around Mars; first Rover reactor (Kiwi-A) has already been tested.

Mars expedition is way ahead, but experts are working out details, planning a round trip that will take 973 days.

Weather satellites around earth will be numerous in coming months.

Others will test magnetic, electronic, gravitational and other fields.

►STEEL COMPANIES help to finance the strike which shut down their plants.

That's true in New York where 23,000 strikers are drawing jobless pay.

In Rhode Island, strikers also could draw jobless pay but no steel strikers have applied there.

Unemployment compensation laws in these two states require payment of unemployment benefits to strikers after they have been on strike seven weeks in New York, eight weeks in Rhode Island.

Fund from which benefits are paid is maintained by employer tax.

Lay-off pay for strikers in all states is a major union objective.

Emphasis by state legislatures on broader unemployment benefits this year has been more on increasing the duration of benefits rather than weekly amount.

Many states now pay benefits for maximum of 26 weeks.

Seven states now pay benefits for 30 or more weeks (Pennsylvania, until this year, was the only state with 30 weeks).

The seven are:

Oklahoma, 39 weeks; Utah, 36 weeks; Wisconsin, 34 weeks; Colorado, 32½ weeks; Pennsylvania, New Mexico, Washington, 30 weeks each.

►VACATION RESORTS attract more union meetings.

Example:

Bricklayers' and plasterers' officials met in Bermuda last month.

Reason given: They want privacy.

Unofficial reason (admitted privately):

Combining pleasure with business is one way of boosting attendance.

►PLAN NOW FOR FUTURE customers.

Ann Arbor Bank in Michigan is doing that.

Bank's Teen-Age Loan Board is made up of three area high school students.

They pass on loan applications by youngsters in the community, who have borrowed for such things as:

\$50 for auto tires; \$50 to pay medical expenses; \$32 to consolidate debts, etc.

Board issues loans without collateral, without co-signers, at 2½ per cent interest.

Bank says it is helping young people prepare for adulthood.



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Business opinion:

Inflation is day's biggest problem

IN AUGUST you asked for views on today's business problems.

Our topmost problem is inflation. We believe that the nation can no longer delay the leveling off of consumer prices. In many cases drastic reductions in prices are most certainly in order.

Government spending, both federal and state, is meeting with a crying public demand for decreasing spending as well as taxes. In fact, everything that has any tendency toward increasing the cost to the American consumer is meeting with bitter denunciation.

We suggest that the congressmen and senators talk to the people. We should find a way to direct a greater portion of the take-home pay of the American worker into more channels of trade, instead of increasing his costs and making it difficult to find enough left to spend for the needs of his family.

A. L. ALDRICH
Mutual & United of Omaha
Omaha, Neb.

New "practice"

I would like to take issue with you on an important point. Dr. Likert proposes a new practice ["How to Raise Productivity 20 Per Cent," August], and a new approach. But the theory of motivational emphasis dates back to the beginnings of our present concepts of "scientific management" as proposed by Frederick Winslow Taylor in the early 1900's.

Dr. Likert shows managers the need to measure in areas related to motivation and he also indicates the results that have been achieved with a motivation-directed approach. The emphasis on measurement is new, but evidence of results of management aimed at motivation has been accumulating since the 1930's.

The problem has been and will remain that most managers find it far more difficult to accept measurements of the intangibles. They find it even more difficult to act on such measures. Yet, those who have directed their efforts in these areas are finding startling results.

Dr. Likert does us a great service

by focusing attention on the need to look and measure in areas reflecting motivation.

So, every credit to Dr. Likert and to you for your fine article, but please don't lead your readers to think they must be pioneers.

T. F. MARBLE
General Electric Co.
Schenectady, N. Y.

"How to Raise Productivity 20 Per Cent," is extremely good. Could we obtain three copies for educational purposes?

J. W. MCNEIL
Pittsburgh Coke & Chemical Co.
Pittsburgh, Pa.

We were very much impressed by Dr. Rensis Likert's article. We would like to distribute copies to members of our management group.

K. Y. UMBERGER
Kingsport Press, Inc.
Kingsport, Tenn.

Do you know if there is, or will be, a complete report written on this research? The article seemed to be of great value and we are much interested in further information.

F. A. RODGERS
Rodgers Stores, Inc.
Portland, Ore.

►No complete report yet. Dr. Likert is writing a book for publication next spring.

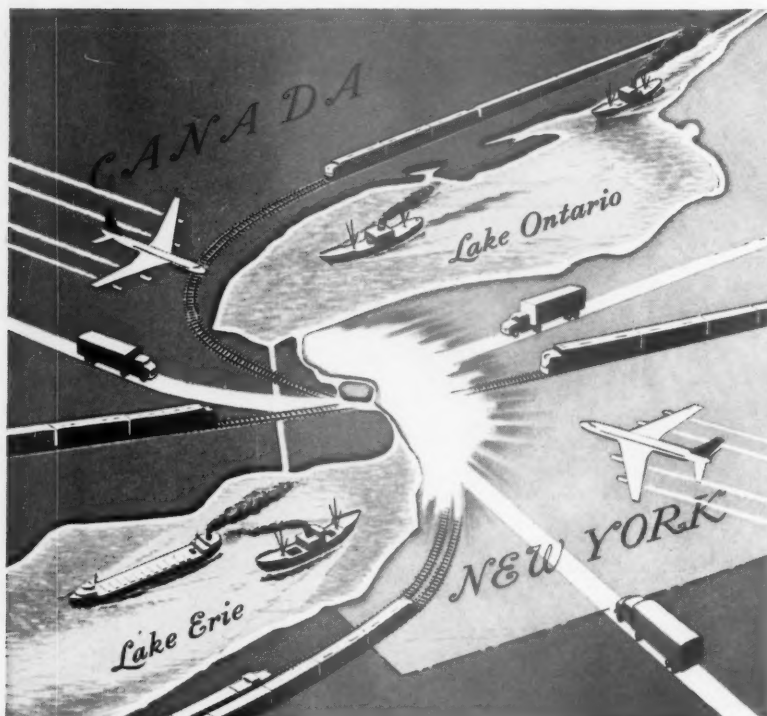
Inflation blame

The article, "Inflation: Where Blame Belongs," [August] was read with a considerable degree of cynicism centered around the thought, "Businessmen, on the whole, don't cause inflation."

This cynicism is largely predicated, for one thing, on the fact that during the period of shortages following the war, the country's largest industries acceded readily to labor's demands for increases, knowing that they could pass the increased costs on.

Nothing is going to stop this vicious cycle unless American business resolves to forego asking for any kind of benefits from the government. It's up to American business to take the leadership and stand

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The Niagara Frontier is a transport center in the midst of a big market. The Port of Buffalo, that handled over twenty-three million tons of cargo last year, is now the first major U. S. port-of-call on the St. Lawrence Seaway. The Frontier is linked to the whole populous northeast by the New York State Thruway. It is served by 12 rail lines and over 200 scheduled airline flights a day. Just over the Peace Bridge lies Southern Ontario, home of more than half of all Canadian manufacturing output. More than 55% of all U. S. citizens, more

than 62% of all Canadians live within 500 miles of this busy link between two thriving nations.

There are good manufacturing sites available on the Frontier. Pure water is limitless; low cost power is plentiful; there's ready access to all kinds of raw materials; a solid labor force offers skill as well as brawn. For specific information on available sites for your business write, wire or phone the Director of Area Development, Niagara Mohawk Power Corp. Dept. NA-10, Erie Blvd. West, Syracuse 2, N. Y.

NIAGARA  MOHAWK

the immediate hurt for the long-range good.

HAROLD F. WENDEL
President
Lipman Wolfe & Co.
Portland, Ore.

I cannot stand quiet after reading that businessmen, on the whole, are free of responsibility for inflation. How many businessmen have sought seemingly attractive federal aid for such things as roads, housing, small business, veterans, postal subsidies?

Finally, my businessmen friends, are we not guilty because we have not as a class entered with a great deal more force into politics and done our utmost to stop the federal erosion of our financial resources? Inflation is man-made and hence can be stopped. Whether it will be stopped in America remains to be seen, and if business leaders do not do much more than they have in the past, they can hardly expect the public to do the job.

MILTON A. ELLIS
Englewood, N. J.

Omission explained

I can think of only two reasons why Mr. Dressner ("Business Can Afford Better Colleges") failed to highlight what I believe is called the GE Plan. One is because he never heard of it and the other is because he doesn't approve of it. I wish I knew why this important method of contributing to privately supported institutions was not mentioned.

COTTRELL FARRELL
President
Easton Car & Construction Co.
Easton, Pa.

►Mr. Dressner has not only heard of the GE Plan but wholeheartedly approves of it. Under the GE Plan, the company matches the contributions of employe-alumni who give to their respective colleges.

Senator's birthplace

In your fine magazine of September, Edward T. Folliard states in "Washington Mood" that Senator Symington was born in Baltimore. The Missouri senator was born in Amherst, Massachusetts, and I know you will want to correct this error before the campaign gets too far along.

WILLIAM DWIGHT
Publisher
Holyoke Daily Transcript
Holyoke, Mass.

►Reader Dwight is right. Senator Symington was born in Amherst while his father, a native of Baltimore, was teaching at the college. The family returned to Baltimore when young Symington was two years old. He grew to manhood there, which led Mr. Folliard to a slip.



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Here are some of the facts: The coin-operated laundry business is one of the fastest-growing businesses in the country. Customers simply come into the store, wash and dry their clothes in metered machines and leave.

Minimum supervision required. A coin-operated laundry needs no attendant. Only a couple of hours a week are required to empty the coin boxes and supervise efficient operation. There are no credit problems—strictly a cash business. Machine repair and daily maintenance can be contracted to local people. An owner can spend full time with his regular business or practice and let the coin store run itself.

Why are they so successful? Philco-Bendix coin-operated laundry stores offer a customer up to 65% saving over attended-type wash-and-dry service. They are convenient for busy people because they remain open 24 hours a day, seven days a week. They give customers a chance to do their own washing—their own way.

Small initial investment. The cost of opening one of these stores equipped with Philco-Bendix Commercial Washers, the only complete line of commercial washers engineered for coin use, is surprisingly low. Only a small initial investment is required. The balance may be financed through Philco Finance Corporation. Return is so rapid that many investors amortize the total cost within a year.

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YOUR BUSINESS

Company secrets have "reasonable" protection

Courts gradually are defining your rights and those of former employes

THOSE COVENANTS by which departing employes agreed that they wouldn't compete with you after leaving your payroll may not be as ironclad as you think.

These covenants are contracts by which an employe agrees that, in case he leaves his present job, he will not engage in a competing business in the same territory as that served by his previous employer.

There are several reasons for the growing popularity of such covenants:

1. The raiding of employe talent by some employers.
2. The increasing business need to develop technical innovations and keep them secret.
3. Increased spending for research and development.

Growing frequency of use of cove-

nants has brought a rash of legal contests over contract terms and a definite trend in judicial thinking is beginning to emerge:

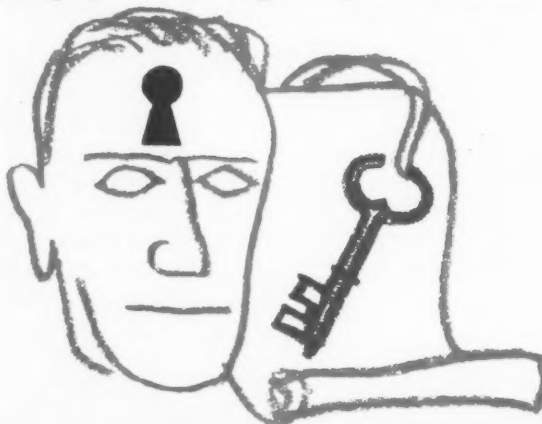
First, virtually all state and federal courts will uphold these agreements if they don't attempt to go too far.

Second, the courts universally regard such agreements as restraints of trade and, therefore, examine them with care and even suspicion. Most often the employer is required to prove the agreement is both reasonable and necessary to protect his interests.

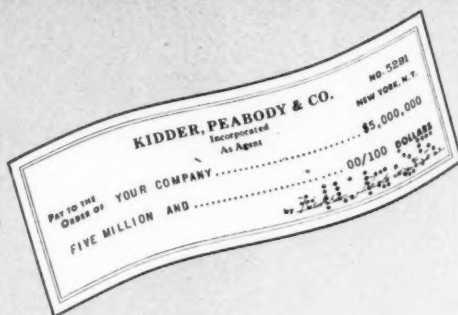
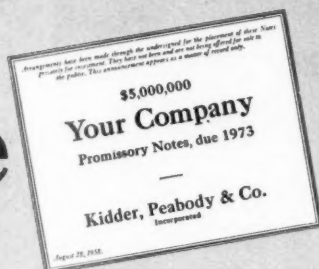
Here are the kinds of questions the courts ask when they have to decide if a particular agreement is valid:

Will the decision finally rendered infringe the freedom and sanctity

How far can you go in locking up a departing employe's knowledge of your business?



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COMPANY SECRETS

continued

of the contract, encourage freedom of trade, properly protect commercial enterprises, retard individual liberty, infringe the individual's right to work, make the training of employees difficult, prevent someone from earning a living, restrict the use of acquired skills and talent, make the employee a public charge by denying him work, encourage competition, discourage monopoly?

The non-competing agreement is not necessarily enforceable merely because the employer and employee have signed it. The key to enforceability is reasonableness.

But what is reasonable is a tricky question.

In a recent case, the Ohio Supreme Court put the problem this way:

"In determining what is reasonable, the Goddess of Justice that hovers over the American courthouse with scale in hand has a delicate job of weighing; and it is a three—not a two—pan scale, for she must balance the conflicting interests of employer, employee and the public."

That is, when restrictive agreements are at issue, a number of free-enterprise philosophies focus at the same point. One of these is the employer's right to bargain and contract as he chooses. A second is the employee's right to work as he can. A third is the effect of such agreements on the public interest, which is served both by competition and stability of the employer's business.

In general, the noncompeting contract clause has three major facets. One involves trade secrets and the stipulation that employees will not divulge these during or after present employment. The second involves competition with the employer by a former employee who has gone into business for himself or is working for someone else. The third involves the solicitation of the employer's customers by the former employee. Any one of these points, or all of them, may be made part of a personal-service contract.

Modern court decisions indicate that the trade-secret restriction is the most readily enforceable; in fact, an employee's duty not to divulge his employer's trade secrets does not rest alone on a contract. If there is no written contract, most courts will imply one in this regard. So far as competing with a former employer is concerned, or soliciting

(continued on page 21)



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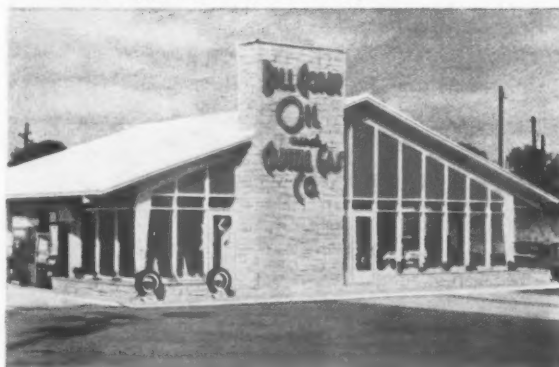
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COMPANY SECRETS

continued

his customers, the restraint usually will be enforced, providing it is necessary to the business or good will of the employer and the restraint is not too harsh.

What is "necessary" and what is "too harsh" varies with the circumstances.

Some agreements have been held invalid although they restricted the employee from competing with his former employer in an area of only a few square miles and for only a few months.

Others have been enforced although they restricted the employee from competing in 20 states and for many years. Some contracts which applied only to those in close contact with the firm's most confidential business have been held invalid. Others applying to most of the company's employees have been upheld.

As a rule, the courts consider at least these elements: the nature of the employment, the time limits imposed and the off-limits territory stipulated.

If the employer seeks to enjoin a former employee on the basis of an agreement, the courts now say it is up to him to show that he is likely to suffer irreparable injury from the competition. And—regardless of how the contract may read—if the employee has been wrongfully dismissed he will not usually be held to any promise not to compete.


Where a contractual agreement not to solicit a former employer's business exists, the courts will again give it effect within reasonable limits. Some courts, however, now enforce such agreements when the employee is trying to induce his former boss' customers to shift to his new employer but permit him to seek them for himself, regardless of the agreement, if he has established his own business.

Other courts enforce the covenant in all respects.

Drawing up a valid restrictive covenant today, therefore, is likely to require expert advice from those who are well versed in the law and its interpretation in the jurisdiction involved.

As one authority in business law says: "The drafting of such a contract is not easy. Often it is perhaps used merely as a bluff. But a bluff is easily called in such a situation and great care is required if a truly effective contract is necessary."

—PHILIP B. YEAGER



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"One Homeowners policy paid all three," says Dale Floyd



Mr. Dale Floyd
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"The fire started in a basement fireplace. The fire department had trouble getting it under control because of the severe cold.

"We were left with a burned out house and ruined furnishings. But, thanks to the foresight of our Hardware Mutuals man, we were protected by one-policy Homeowners Protection. Their representatives soon had the place buzzing with contractors. They pointed out a special clause in our policy, too. Since the fire made our home unlivable, we could move into a hotel and Hardware Mutuals would pick up the

bill for our family's extra living expenses.

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Washington mood

BY EDWARD T. FOLLIARD

Eisenhower, a tough old man at 69

PRESIDENT DWIGHT D. EISENHOWER was born in Denison, Tex., on Oct. 14, 1890, and therefore will be 69 this month. Only two other Chief Executives have attained that age in the White House—Andrew Jackson and James Buchanan. None has reached the age of 70 in the historic mansion.

Naturally, President Eisenhower hopes to be America's first 70-year-old President. He doesn't take it for granted though, often remarking that no man can foretell what his life span is to be. But he also talks about the things he hopes to do when he retires, and one of them is to take a leisurely trip around the world.

In these days of wonderful advances in medical science and a consequent greater life expectancy, there is, perhaps, nothing remarkable about a man reaching the age of 69.

There is something remarkable about it, however, in the case of the thirty-fourth President. Four years ago, in Denver, he was under an oxygen tent and fighting for his life after a heart attack. His intimate friends had only one concern at the time, and that was his recovery—even if it meant an idle and restricted life for him in the future. They thought the odds were 10,000 to one against his running for a second term in 1956.

Well, here is that cardiac now, the premier statesman of the West, going strong and engaged in a bold and far-ranging quest for peace that has captured the imagination of the world.

In this new crusade, he has undertaken a schedule of overseas travel unmatched by any of his predecessors. Behind him is a triumphal tour that took him to West Germany, Britain and France for talks with Chancellor Konrad Adenauer, Prime Minister Harold Macmillan and President Charles De Gaulle. Ahead of him is a flight to Russia to return the visit of Soviet Premier Nikita S. Khrushchev.

The soldier-statesman laughingly refers to himself nowadays as "an old guy," sometimes as "a tough old

guy." He is amused by all the talk about a "new Eisenhower." He insists that he hasn't changed his political philosophy one bit since he moved into the White House.

That is doubtless true. Yet there is something new; it is not in his philosophy but in his demeanor and his handling of the job. He is more of a take-charge



His remaining months in office could bring new high point to career which the President feels reached peak when Germans surrendered in World War II

leader than he was in his first term and for a part of his second term, less inclined to delegate chores to others.

Three things probably account for this. One is the cycle of history. Another is fortuitous circumstances. The third is a pardonable vanity.

Taking the first, it must be remembered that when President Eisenhower took over in 1953, the American people were weary after two decades of unrelent-

TRENDS continued

ing crisis. They had experienced the great depression, World War II, the cold war, and then a frustrating limited war (Korea). As one historian has noted, they were sagging from emergencies and alarms; they had had it. They wanted to be let off of public affairs, to be permitted to resume the private threads of life, to immerse themselves in family, home, career. They wanted normalcy.

President Eisenhower sensed this and pointed his Administration in the direction of less government. Happily, the Korean war was ended. Government controls were abolished. The reforms of the New Deal and the Fair Deal were retained, but there was no great clamor for additional social reforms—and the Administration made no effort to initiate any. The President figured that Americans wanted, and were entitled to, a breathing spell.

Not everybody liked this loose-rein type of government. Even before the President was hit by a heart attack on Sept. 24, 1955, his political foes were sniping at him for his frequent vacations, his love of golf and bridge, and his delegating of authority to Sherman Adams and others. In the 1956 campaign, this kind of criticism was summed up in an issue—"part-time President." The American voters buried it under an Eisenhower landslide bigger than the one in '52. They were saying in effect that they would rather have Dwight D. Eisenhower part time than anyone else full time.

In this exciting Twentieth Century, however, there can be only so much repose for the man in the White House. Problems arise, grow, and just won't go away.

Government spending and the rising national debt become frightening, especially when related to the cost of living; a shocking situation has been revealed by the McClellan Committee investigation into labor-management affairs; and, topping everything, Premier Khrushchev warns the United States and its allies to get their troops out of West Berlin—or else.

These and other problems demanded action, and the President responded. He made an all-out fight for a balanced budget, and got it. He went on television to appeal for a labor reform bill, with the result that an avalanche of telegrams and letters poured in on members of Congress. Robbed of the services of John Foster Dulles, felled by cancer, he became in effect his own Secretary of State, embarked on a new phase of personal diplomacy and so opened the drama that is now unfolding on the world stage.

A President of the United States acts, of course, out of a sense of duty, a consciousness that he is responsible for the welfare of more than 170 million Americans. This is an awesome thought, and ought to be enough to bring out the best in any good man.

Sometimes, though, a President is moved by something else—by considerations of his niche in history, by an overriding desire to be well regarded by pos-

terity. Such a man was Franklin D. Roosevelt, who appeared to be confident that he would be ranked with Washington and Lincoln.

President Eisenhower, according to his close associates, has never shown any sign of being obsessed by thoughts of his place in history. When he looks into the future, they say, he frequently talks about his grandchildren and says he hopes to leave the country in such shape that it will be a good place for them to live in. He mentions them, too—and also the grandchildren of others—in talking about the importance of reducing the stupendous national debt. He says that it would be unfair to ask future generations to pay for the spending of this one.

He is not an excessively vain man, yet he would be only human if he did give some thought to his niche, and tried to use his remaining time as President to add luster to the Eisenhower name.

Like Ulysses S. Grant, the only other West Pointer to reach the White House, he will have had two chances to achieve lasting fame—as a soldier and as a statesman. General Grant is honored today as the North's greatest warrior in the Civil War; but in the view of most historians, he was a failure as President.

President Eisenhower thinks now that the climax of his own career came on May 8, 1945, when the Germans surrendered to him at Rheims and thus ended the European phase of World War II. It was for that, he explains, that he was trained.

But the Eisenhower story is not yet ended. It is conceivable that between now and the end of his term something might happen that would be even grander than his VE-Day triumph.

Suppose that he did bring off a live-and-let-live understanding with the Soviet Union, or even laid the groundwork for such an understanding. Suppose that there then came a long period of tranquility in the world, free of hideous thoughts about a nuclear war in which whole cities would be erased and millions would perish. Would not the world acclaim the architect of such a peace even more ardently than it has acclaimed the military victors of the past?

Of course, the chances are against peace breaking out in such a romantic way. It is one thing to get the Russians to make an agreement; it is quite another to get them to keep an agreement. Their record in this respect is not a good one.

Still, as President Eisenhower has said, it seemed worth while to try to "melt a little of the ice" around East-West relations—to try to end international tension and halt or slow down the dangerous arms race, and so ease the burden on those who have to pay for it.

Back in the 1940's, when he was ending his tour as Army Chief of Staff, General Eisenhower said that his dream of retirement was to sit out on the porch, wait six months, and then begin to rock slowly. Sometimes his friends wonder if he would ever be content with such a retirement.

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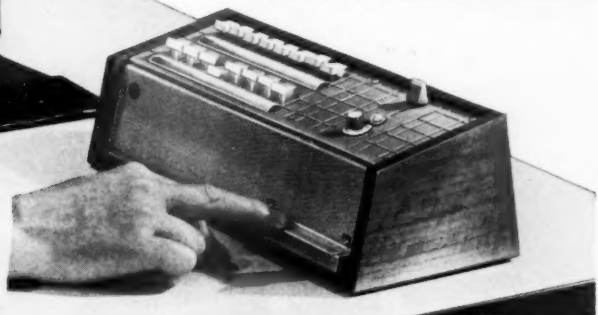
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The state of the nation

BY FELIX MORLEY

There's reason to congratulate Congress

ONE OF THE MOST BRILLIANT deductions ever made by Sherlock Holmes, as all his many devotees will agree, sprang from what he called "the curious incident of the dog in the nighttime."

To the somewhat boneheaded Dr. Watson this was mystifying, because "the dog did nothing in the nighttime." But to the immortal Sherlock that very passivity suggested that "the midnight visitor was someone whom the dog knew well," thus opening the trail to detection of the villain in the excellent story of *Silver Blaze*.



DWIGHT D. EISENHOWER
No amendments

No invidious comparison is intended by saying that one of the most notable achievements of the past session of Congress was also wholly negative. It did nothing in the direction of any amendment to the Constitution. And while that gives us no clue to any criminal, it does strongly suggest that the craze for further tinkering with the organic law of the nation is, happily, dying down. That is a pleasant reflection for those who believe that the Constitution as originally completed would have been serving us better today if it had been amended less.

There have, all told, been 22 amendments, either revising or adding to the original seven carefully designed articles. That means an average of one amendment in about every eight years of our national history to date. Every two-term President, in other words, might from the record expect to see an amendment added during his tenure. It is to Mr. Eisenhower's credit that he has shown no disposition to sustain that average. Indeed the Twenty-second, and latest, Amendment became effective almost two years before he took office.



GEORGE WASHINGTON
First through Tenth (Bill of Rights)

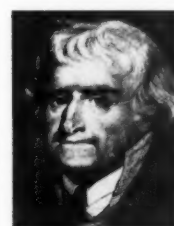
This amendment, limiting the President to two terms, was, incidentally, the one most frequently mentioned during the session of Congress now ended. It was argued, even in the face of strong contrary evidence, that the two-term limitation tends to weaken presidential influence toward the end of his tenure, and that the chief reason for adding it to the Constitution was a desire to hit back posthumously at F.D.R. However that may be, the point to be noted here is that when there was discussion of Constitutional amendments, during the recent session, it focused on elimination rather than on addition.

This skepticism as to the value of the amendment process becomes more understandable when we look back to the Twenty-first, which, of course, merely repealed the Eighteenth (Prohibition) Amendment. When foreigners accuse us of not knowing our own mind, as they frequently do, this anomaly in the Constitution is usually cited. And certainly there is no cause for pride in the fact that an amendment adopted with enthusiasm in 1920 was repealed, with even greater enthusiasm, in 1933. If Prohibition would not work—and it didn't—that outcome might reasonably have been foreseen in advance.

Some amendments, on the other hand, are subject to criticism not because they have failed to work, but because they work far more effectively than was anticipated. The outstanding illustration here is the Sixteenth (Income Tax) Amendment. At the time of its adoption just 50 years ago, it was argued in Congress that a 10 per cent ceiling on federal taxation



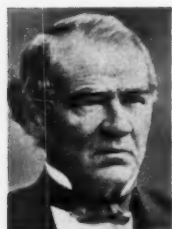
JOHN ADAMS
Eleventh Amendment (Judicial powers)



THOMAS JEFFERSON
Twelfth Amendment (Manner of choosing president)

TRENDS continued

of any individual income should be specified. This was not done, primarily because it was feared such wording would encourage an income levy rising as high as 10 per cent. Now there is a movement, though with little congressional backing, for another amendment holding the federal income tax to a top level of 25 per cent.



ANDREW JOHNSON
Thirteenth and Fourteenth
(Slavery abolished;
citizenship rights affirmed)

lition of racial segregation in the public schools.

This first section of the controversial Fourteenth Amendment is clear enough, but the three long-winded sections that follow have little or no current meaning, unless one anticipates another Civil War. In particular, the penalizing provisions of Section 3, directed against former Confederate officers and officials, have only a melancholy historical interest today. There was no need to enshrine such punitive measures in the Constitution, for ordinary legislation would have



ULYSSES S. GRANT
Fifteenth Amendment
(Voting rights)

served the purpose just as well. But the successful scheme of Thaddeus Stevens, vindictive leader of the then Radical Republicans, was to bolster the civil rights section of the Fourteenth Amendment by exploiting popular emotion of the "Hang-the-Kaiser" type toward the recently rebellious South. And so we still have, in this amendment, provisions that obviously do not belong in a fundamental law.



WILLIAM HOWARD TAFT
Sixteenth Amendment
(Income tax)

A much less bitter illustration of human shortsightedness is seen by comparing the Fifteenth and Nineteenth Amendments. Though the former was adopted in 1871, the latter in 1920, the wording of the two is almost identical. The Fifteenth Amendment stipulates that the right to vote shall not be abridged "on account of race, color, or previous condition of servitude." The Nineteenth Amendment merely substitutes "on account of sex." There are now some who urge still another suffrage amendment, prohibiting curtailment of voting rights "on account of residence in the national capital!"

Another reason for mistrust of Constitutional amendments as a panacea is the inferiority of their draftsmanship by comparison with that of the original document. Here the outstanding illustration is the Fourteenth Amendment, now very much to the fore because its first section is the basis of the Supreme Court decision demanding abo-

Of course there is no need to clutter up the Constitution in order to enfranchise those who live in Washington. This can be done by Act of Congress at any time. But the belief that all sorts of problems can best be met by formal Constitutional amendment is strangely prevalent. A really extraordinary case is



WOODROW WILSON
Seventeenth, Eighteenth, Nineteenth (Election of senators; prohibition; women's suffrage)

pension . . . not to exceed an annual emolument of \$25,000 each." The sorry idea is that spokesmen of the people would be more honest and courageous if freed from responsibility to the people.



FRANKLIN D. ROOSEVELT
Twentieth and Twenty-first (Terms of president and senators changed; prohibition repealed)

Up to a point, mere mechanisms are undoubtedly important. Traffic lights certainly assist orderly driving. But most driving cannot be thus arbitrarily directed. And, in the last analysis, its hazards can only be diminished by greater responsibility at the wheel.

To reread the seven simply worded articles of the original Constitution is to realize that the men who wrote it relied, in James Madison's own words, "on mankind's capacity for self-government." To read the amendments to the Constitution, or at least the 12 of them that have followed the "Bill of Rights," is to see the contrasting tendency to rely on arbitrary rules rather than on individual integrity.

So there is cause for congratulations when a session of Congress closes without having shown any disposition to tamper further with the Constitution. From that one may deduce, even without the aid of Sherlock Holmes, that Americans are again beginning to sense the vital importance of self-government, in the most literal sense of the phrase.

an "anti-inflationary amendment" which currently is attracting some advocacy, even though it has little prospect of adoption.

This particular amendment would limit senatorial office to the single term of six years, while extending the term of House members from two to four years and then also forbidding their re-election. After this single term no member of Congress would be eligible for any federal office, but "in lieu thereof" would be paid a "perpetual

In this, as in other casually proposed amendments, the most serious flaw is the evident willingness to substitute a purely mechanical safeguard for the restraint, intelligence and integrity that should be expected both in the citizens and in the lawmakers of a healthy republic. The error lies in thinking that an arbitrary rule can somehow create virtue in people who do not have this quality.



HARRY S. TRUMAN
Twenty-second Amendment
(Two term limitation)

Jim Dwyer discovers the Painless Way

1.



Jim Dwyer fumed, "My firm's insured against catastrophes,
But I've got more insurance men than I have employees!
And when my cash position's bad, a premium bill comes due;
Suppose I made a claim and had forgotten to renew!"

2.



As if divining Dwyer's thoughts, a Travelers man appeared;
"Confusion's reign is over now that we have volunteered.
The Travelers handles every policy—no danger gaps;
Rely on *me* to guard you from a messy memory lapse."

3.



"So far you've been Aladdin's genie," Dwyer answered then,
"Just tell me how to pay for it and I will say 'amen.'"
"One plan, one man to telephone if ever you're a claimant—
And everything is covered by a single monthly payment."

4.



One plan, one payment, just one man and not a multitude—
Can anyone deny The Travelers merits gratitude?
Imagine—life, equipment, property—this painless plan
Leaves working capital intact—so ask a Travelers man.



THE TRAVELERS

Insurance Companies

HARTFORD 15, CONNECTICUT

All forms of business and personal insurance including Life • Accident • Group • Fire • Marine • Automobile • Casualty • Bonds

Newest Russian discovery —RAILROADS!



What country's railroads handle the world's heaviest freight volume? Those of the United States?

Sorry. The correct answer is Soviet Russia. In 1958, Russia's railroads moved more freight more miles than U. S. railroads ever handled in any one year.

In a great railroad improvement program, the Russians have followed progressive U. S. railroad techniques. Among them are Dieselization . . . train radio . . . welded rail . . . even TV and radar in yard operations. And hundreds of miles of new line are built each year.

* * *

Meanwhile, in the United States, with the most efficient railroads on the globe, the picture is far less bright.

Here, railroads suffer from restrictive public policies. They are burdened with discriminatory taxation — while their competition uses highways, waterways and airways built and maintained by the government. They are frequently denied the right to make competitive rates, or to provide a complete transportation service.

Why this extraordinary contrast? In Russia, railroads are recognized as the most productive form of mass transportation, with the lowest true costs. In America, public policies ignore this basic truth.

* * *


American railroads ask no special or favored treatment, nor do they have any quarrel with their competition. All they ask are fair play and *equality of treatment*. Earnings could then be sufficient to enable the railroads to provide the traveling and shipping public with the benefits of free and equal competition.

When America's railroads are free from the strangling grip of the restrictions that now bind them, we, too, will make the best use of our railroads — our nation's greatest transportation asset.

ASSOCIATION OF
AMERICAN RAILROADS
WASHINGTON 6, D. C.

WHAT ELECTION-YEAR CONGRESS WILL DO

For business, the bark may be worse than the bite



IT'S NOW POSSIBLE to tell what Congress will do next year.

Laws enacted in 1960 will fit a legislative pattern already cut. It is a design for action that would have seemed improbable less than a year ago. But members of Congress, both liberal and conservative, are in surprisingly close agreement as to the outlook for next session.

NATION'S BUSINESS asked a number of key lawmakers to project their thinking ahead several months and forecast the prospects for legislation of major import to business.

These main elements will shape 1960's legislation:

- ▶ Boomtime benefits
- ▶ Election emotions
- ▶ Eisenhower's power
- ▶ Lessons learned

In broadest terms, the second session of the Eighty-sixth Congress

will be much like the first. For businessmen the bark will probably be worse than the bite. More big spending measures will be talked about than will be passed.

But some vital policy decisions will surely be made on such matters as taxes, minimum wage, defense spending and farm subsidies, for instance. Consider what will affect next year's decisions.

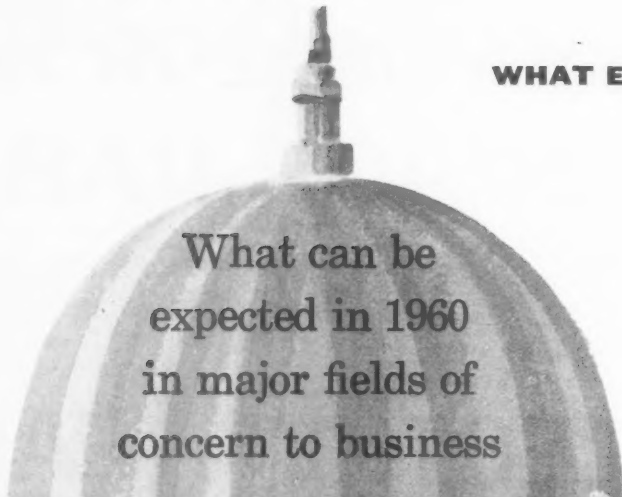
Boomtime benefits

Business is generally good and getting better. Most economic indicators, despite the steel strike, are upturned. The total of goods and services produced is about to cross the \$500 billion mark. Personal income is not far from \$400 billion. Corporate profits are not far from \$50 billion. Employment is at about 68 million. Prices are fairly steady. Sagging farm income presents about

the only dour curve among the economic charts. This all means that record revenues will be flowing into the Treasury. Larger receipts relieve inflationary pressures of deficit federal spending, because the Treasury doesn't have to borrow as much to pay its bills.

Expanding business also has solved the problems of unemployment except in certain chronic unemployment pockets. Good times have lessened the demands for federal money for public works solely to prime the economic pump. Many congressmen believe that any surplus dollars in prosperous times, as next year is expected to be, should be used to pay off some of our national debt. Interest on the debt is now second in amount only to defense among the items in the federal budget.

Summing up: Congress will have



What can be
expected in 1960
in major fields of
concern to business



TAXES

Tax-reform probe will pinpoint some areas for future base-broadening and rate reductions



HEALTH & EDUCATION

Subsidies for schools, vets' education have chance; health insurance for elderly is unlikely



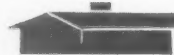
BUSINESS CONTROLS

Calls for bigger U.S. hand in inflation fight expected. Little chance of pre-merger notice



DEFENSE

Spending ceiling will be issue. Pressures will grow for single military establishment



HOUSING

Bigger, more liberal loan, insurance and urban renewal programs are expected to pass



INTEREST RATES

Congress is not likely to authorize higher interest rates on long-term U.S. Bonds



LABOR

Odds are minimum wage will be extended to cover more workers and maybe even raised again



AGRICULTURE

Battle coming over price supports; new ideas will come up for surplus disposal



SMALL BUSINESS

Selective tax relief to let small business keep part of earnings is slim possibility

a little more money to spend next year, but not the economic emergencies on which to spend it that existed in recessionary 1958.

Election emotions

Next year, the Democratic-controlled Congress will have to chisel into final form the image it wants to present to the voters, who will be electing a President, all the members of the House of Representatives and one third of the Senate.

The House has few candidates who will run for any office higher than the one they now hold. But the Senate has at least five potential presidential candidates: Vice President Nixon, president of the Senate; Lyndon B. Johnson (D., Tex.) majority leader; John F. Kennedy (D., Mass.), Stuart Symington (D., Mo.) and Hubert H. Humphrey (D., Minn.). It probably has at least as many vice presidential hopefuls.

This being so, the political motive will be ever present. Many members of Congress believe the classic vote-getter—a tax cut—has lost its allure. "Tax reform" is winning favor. The phrase has a high-purpose ring which could apply to almost any revision.

Even more politically enticing, many members believe, are the kinds of legislation that appeal to huge population and voting blocs: medical insurance and housing for the aged, school buildings and scholarships for the young, urban renewal and public housing, easy money and loans for small businesses and for veterans.

Such vital statistics as these show the political potency of legislation for the elders and youngsters:

Persons 60 years of age or older will number about 23 million in 1960; that's more than one third of the people expected to vote in 1960 if the same proportion turns out as went to the polls in 1956.

The school-age population, 30.6 million in 1950, is expected to rise to 44.8 million in 1960, a 46 per cent increase. The rate of school-age growth is twice that for total population growth.

Many Democrats realize little memorable legislation has been passed this year except the Hawaiian statehood bill and labor reform legislation. They realize, too, that

the Hawaiian measure has almost no voter appeal and labor reform legislation made union leaders boiling mad. So they feel they could use something dramatic and appealing on which to run at election.

But the Democratic presidential nominating convention is scheduled for July 11. This means Congress must be through by then. A short session doesn't leave much time for passing new and controversial programs, particularly when several legislative headaches are hanging over from the first session.

"It will be strictly a quick session for getting out housekeeping bills, nothing too new or sweeping," predicts one high-ranking Democratic senator.

Eisenhower's power

The Eighty-sixth Congress came to Washington last January with what many thought was a mandate to enact an ultraliberal program. The Democrats outnumbered the Republicans by almost two-to-one in both the House and Senate. Many of the new members were young and liberal. Many who had retired or lost their races were conservatives.

The Democratic-controlled Congress was confident as Goliath that it had the power to do what it wished. But President Eisenhower, with the accuracy of a David, flung charges of "budget-busting" at the Democrats before they could even flex their legislative muscles.

Stopped short by the surprise attack, the Democrats began trying to outeconomize the President to show they weren't spendthrifts. They set their course on accomplishing the possible while defending their honor as being fiscally responsible.

"Caution will be the keynote of the second session," said Sen. Barry Goldwater (R., Ariz.). "Fiscal responsibility has been established as an issue. The Democrats will try to get rid of the spender label."

It is now as certain as anything in politics that President Eisenhower will be firm on the spending issue next year, too. That's the prediction of a top adviser to Mr. Eisenhower and the expectation of most members of Congress.

Inevitably the federal budget will be a bit larger. It will total some-

thing more than \$80 billion, as compared to a little less than \$80 billion this year. What Budget Director Maurice Stans terms "built-in momentum" is made up of such items as these:

An expected \$700 million hike in interest that must be paid on the national debt, close to \$300 million in already approved public works projects, \$200 million more in outer space research, probably another \$200 million rise in veterans' benefits, about \$300 million more in Development Loan Fund operations for lending in underdeveloped countries overseas, probably a \$300 million rise in public housing and urban renewal expenditures. All these will be hikes over this year.

Undoubtedly President Eisenhower will ask Congress next year to raise postal rates, possibly raise the tax on auto and aviation fuel and jack up interest rates on low-interest federal lending programs such as that of the Rural Electrification Administration. But it is difficult to make real savings when about 80 per cent of budget expenditures is already set by national security or programs previously started that commit future spending.

Two big drains on the Treasury where savings surely will be sought are defense and farm spending. The goal is at least to keep defense spending from climbing above \$41 billion and to pare farm subsidies by letting the market, rather than Uncle Sam, control prices. But only limited success at best can be expected next year.

So, the pressure will be on to keep all forms of federal spending from expanding. The President can be expected to wield his veto power and mass appeals to the public with the same frequency and effectiveness next year as this.

He can be expected to do so for two reasons: Since he has taken a more active role in dealing with Congress, he knows what he is doing; and since the reaction to his economy fight has been so favorable and rewarding, he seems sure he is on the right track.

Lessons learned

Experiences in 1959 have taught the President how to deal with the
(continued on page 66)

HOW ASSISTANTS LOOK AT YOU

Complaints, even if unjustified,
show need for change in actions

EVEN THE MOST competent and respected managers incur one or more of six main complaints from their assistants.

This finding was brought out in a series of personal, off-the-record talks with supervisory employes in commercial and industrial companies of all sizes.

By paying attention to these opinions, improvements may be made in your management techniques or in the performance of your whole organization.

Executives and supervisors have just as many complaints about their superiors as other workers do, according to the management experts who made these attitude studies. Being in a position of authority doesn't make people more lenient with their own bosses. They're more understanding about some subjects, but more critical on others.

The six leading criticisms are especially interesting because they point to much more than management errors alone. There are many cases where the complaint reflects more on the subordinate who makes it. In some instances, the criticism even puts a finger on a serious flaw in the basic structure of the company.

The question is not: "*Do your people have any of these complaints?*"

Almost beyond a doubt, they do. It's just in the nature of human beings to differ with the constituted authorities who govern any part of their lives.

What's important is to consider which of these complaints your own associates are likeliest to have and to learn something from them that will make you a more effective manager.

1. "*He wants people to carry out orders and keep quiet.* Once in a while, he suggests that someone speak up and criticize his decisions. But whenever somebody tries it, he's obviously annoyed."

Is there any chance that you're thought of in this

way? Even if you are, it is not necessarily an indictment. A great many of the nation's best practical executives believe there are some jobs in an organization where carrying out instructions is far more important than using initiative. Many of these men have purposely filled some of their staff jobs with subordinates who can be trusted to carry out a plan exceptionally well, but without variations or modifications.

In every such case, however, the top-notch executive is acting consciously and with forethought—putting some routine types into spots where steadiness counts most, while balancing them with original and aggressive people in other jobs.

The danger, then, is that this complaint may exist accidentally, that you may have left the wrong impression with subordinates who are supposed to think and criticize and suggest.

Almost every boss has at one time or another snapped orders under pressure in a way that brooked no delay or opposition. All of us have occasionally shown impatience with another man's over-long attempt to remake or perfect a plan.

If such an impression was accidental and should not remain as a permanent guide to what kind of performance you want from that person, it's important to correct it as soon as possible. This shouldn't be done by a direct apology—unless you really blew your top and feel that a big gesture is called for.

2. "*He never lets me do anything on my own.*"

This cry stems from subtle causes. Almost every employe who voiced it admitted that his superior often left him without interference for considerable periods, sometimes even saying, "This is your baby. Handle it any way you like."

But the carte blanche is seldom valid for long, say

the complainants. Before there has been time to see whether a decision will work out or not, the superior steps in and makes changes. Or he finds vague reasons of higher policy that require a different approach. In many cases, he just keeps such a close watch on every detail that, even if he says nothing, the feeling of being "under a microscope" stifles initiative.

If you have people around who feel this way, you may already know or sense it. Even if not, it's easy to spot the malady. Notice whether some of your men are coming to you for approval of more and more trifling things. The very people who resent domination are most likely to rebel against it by this negative technique. "O.K.," they seem to say, "since you want to run everything, let's do it your way."

This is the kind of dissatisfaction that is more often a self-indictment by an inept employe than a valid charge against the superior. Certainly some executives dominate their people excessively, but there are far more subordinates who just don't show that they merit full confidence. They are more to blame for their status than the person who senses a power vacuum and rushes in to fill it.

But even in such cases, the final responsibility rests with the boss. Maybe it means you have put the wrong people into some jobs—promoted certain men beyond their capacities or allowed them to move up with growing operations even though the new pace was too much for them.

Whatever the cause, this complaint is never as minor as it seems. It may be a symptom that you're too strong or that your subordinates are weak. Either way, the team is unbalanced and a move to even it up is indicated.

3. "He doesn't want to grow or expand. He fights every attempt to make changes."

Asked to be more specific, supervisory employes who made this complaint listed instances of refusal to pay for top-quality personnel, sidetracking plans for new branches or subsidiaries, turning down ideas for cost-saving machinery, and ignoring new product suggestions.

Many of these cases, the researchers found, were actually problems in communications. Several of the accused executives were simply misunderstood by their own close associates.

Most of us are conservatives by nature. Only a few have such entrepreneurial drive that they move into every new opportunity at top speed and without a pang of regret. But while the possibility that you have been ignoring good ideas should be weighed carefully, it's even more likely that you have turned down suggestions for change on perfectly valid grounds but without making them understood to your people.

In one company, a bright young research executive complained that competitors were developing new lines rapidly while his own top management turned down one new product idea after another.

Without revealing the source of the complaint, the executive vice president whom he blamed as the bottleneck was asked about his attitude on adding to the product line.

"We can't make a move at the moment," he said candidly. "Our

(continued on page 102)



Next step in labor reform

What Senate rackets investigator thinks of new labor law and what should be done next

An exclusive
Nation's Business
interview with
Senator
John L. McClellan

MAJOR CREDIT for passage of labor reform legislation goes to the Senate Select Committee on Improper Activities in the Labor or Management Field.

Since it was created on Jan. 30, 1957, this Committee—popularly called the Senate Rackets Committee—revealed instances of corruption in union leadership and malpractices in labor-management relations which outraged the public and compelled Congress to act.

Presiding over the eight-member Committee and directing its investigations from the beginning has been Sen. John L. McClellan, Democrat from Arkansas. In almost 300 days of hearings the Committee has received about 46,000 pages of testimony from more than 1,500 witnesses. Some 20 unions were investigated.

No person is better qualified than Senator McClellan to appraise the value of the new labor reform law—officially the Labor-Management Reporting and Disclosure Act of 1959—in relation to conditions it seeks to correct. How the senator views the new law and what he sees ahead are brought to you in this exclusive interview by a NATION'S BUSINESS editor.

Now that a labor reform law has passed, what is the next step?

We hope to make a final report

by next January when the life of the Committee will expire.

I feel its mission has largely been fulfilled. It brought to the Senate a record of information upon which the Congress has been able to enact effective corrective and remedial legislation.

Do you feel that the new law deals adequately with most of the problems which your Committee exposed over the past three years?

Yes. Most of them.

Do you favor a permanent committee of this nature?

I would not say a permanent Se-

lect Committee. But I do feel that some committee of the Congress should be empowered to make investigations comparable to those that this committee has made, if and when there is occasion or need for such facts to be developed for the information of the Congress.

Do you mean a continuing watchdog committee?

I do. Sort of on a standby basis.

There has been some suggestion that we might have a national crime commission, separate from the Congress.

Yes, I have made that suggestion



"We may have to place transportation unions under antitrust laws," Senator McClellan warns James R. Hoffa [above]

myself. The powers and authority under which this Select Committee has functioned were not broad enough to enable the committee to go into all phases of organized or syndicated crime. I feel that some congressional committee should have such powers so that supervision and inquiry might be continuous.

Would you suggest a crime commission independent of Congress?

I have not settled in my own mind the real mechanics of the authority that I would have charged with that responsibility, but I am convinced of the need for such investigations.

What would you say are the most significant features of new labor reform law?

The new bill covers many areas, each having particular significance to different interests. I think, from the standpoint of the union member, the three important things are:

1. It requires proper reporting and accounting of union funds.
2. It insures better control over union affairs by the members, with the democratic processes provided, particularly with respect to elections, secret elections.
3. It also provides a measure of protection for the individual members in the bill of rights section. It insures their right to freedom of assembly, freedom of expression; the right to participate in elections, to nominate candidates for office, and to participate in the deliberations at a union meeting.

Could you tell us some of the specific abuses your committee uncovered which this will help meet?

The things I have just mentioned relate to abuses that were imposed and rights which we have found denied in some unions.

What obligations does the new law put on employers?

The bill deals with such abuses by management representatives and agents as were developed in the committee investigation. Management must account for expenditures made for certain activities in its relations with unions, labor relations experts, and others. It also prohibits

(continued on page 74)

YOICHI OKAMOTO



Union leaders move into government

In Washington, state capitals and many cities across the country, public offices are being filled by individuals with union backgrounds. This special article tells who and where they are, how they view their responsibilities and what the trend means to you and your business

Sen. McNamara of Michigan was head of Pipefitters Local, got his political start as a member of Detroit Council

Rep. Shelley is the former head of the California AFL. He introduced the labor reform bill the unions wanted

City Manager Carter of Flint, Mich., left staff of union to run city. Union men on City Commission helped him get in



PHOTOS L. TO R. MAROON, CLARK, BENYAS

DECISIONS WHICH WILL affect your business are being made by union officials elected or appointed to important positions in local, state and federal governments.

Many more union leaders will be running for city council, school board and other offices in the hundreds of local elections scheduled next month. Others will be supporting mayoralty, judicial and other candidates who might later appoint them to a government post or befriend unions in other ways.

Labor's political leaders view the coming local elections as basic to the effectiveness of union political activity.

They will strengthen and keep labor's political machine in good running order for next year's state and national elections. AFL-CIO President George Meany warns:

"We have determined that we will have to organize for political education and political action in the same thorough and painstaking way that we organized in the past for economic purposes."

This means that organized labor will seek even more of its objectives through political channels. Union men or friends in local government can in some

ways be as helpful as those in state and national capitals.

Moreover, government service at the local level is an excellent training ground and stepping stone for service at higher levels.

A spot survey and analysis by NATION'S BUSINESS reveals just how far officials and rank-and-file members of unions have moved into government, how they view and meet their responsibilities as office-holders, how they exercise their influence, and what the trend means to business and the public generally.

The survey included interviews with many of the union men who hold public office, with other union leaders, and with businessmen who are in a position to see what is happening. It shows that:

► Union men are readily available for, and frequently seek, public office. They also seem to be better trained for the rough and tumble of politics than the average businessman.

► Once in office, particularly as members of a legislative body, union men seem to serve the interests of organized labor far more than a businessman in a similar position serves the interests (continued on page 106)

Justice George Edwards, on Michigan Supreme Court, joined in a decision favoring a union he helped to organize

Labor Commissioner Harold L. Smith ran union political committee before he began to enforce labor laws in Kansas

Speaker of House in Wisconsin is George Molinaro. He works in an auto plant when he is not busy at the capitol



PHOTOS L. TO R. BY BENYAS, REYNOLDS, LIEBERMANN; BLACK STAR

THESE FORCES AFFECT YOUR PAY

Here are five steps to a
sound compensation plan

THE BOX LUNCHES were late, and the stockholders were growing restless. A man in the back of the room stood up and asked the chairman, in a rather truculent voice:

"Why do we pay the director of marketing \$60,000 a year?"

The chairman answered smoothly that it was an important job and the company was lucky to find a good man to fill it at such a reasonable salary.

About then the box lunches arrived, so the discussion was halted. But when the annual meeting adjourned, the chairman sought the president.

"Tell me," he said, "why do we pay that guy \$60,000 a year?"

It is a fair question. And often a difficult one for management to answer convincingly—not because salaries are too high, but because few companies have taken the trouble to think through the why of their executive pay policies. In many cases, compensation programs have simply grown up helter-skelter, in response to real or imagined competitive pressures, with no clearly defined guidelines that can be explained and justified to stockholders and the public.

Management research, hitherto concerned mainly with trends and techniques, lately has begun to focus on the underlying rationale of executive compensation. Not all the answers are in, by any means, but enough work has been done to crystallize five basic principles which any company can use as a checklist to evaluate its own policies.

These principles hold that a sound executive compensation plan must:

1. Recognize the unique role of the manager in today's economy.
2. Fairly appraise the relative importance of each managerial position.
3. Take realistic account of competitive pressures.
4. Carefully weigh the advantages and disadvantages of the four basic types of executive compensation as they apply to the requirements of your organization.

5. Allow for flexibility in administration to meet the peculiar motivational and personal needs of individual executives.

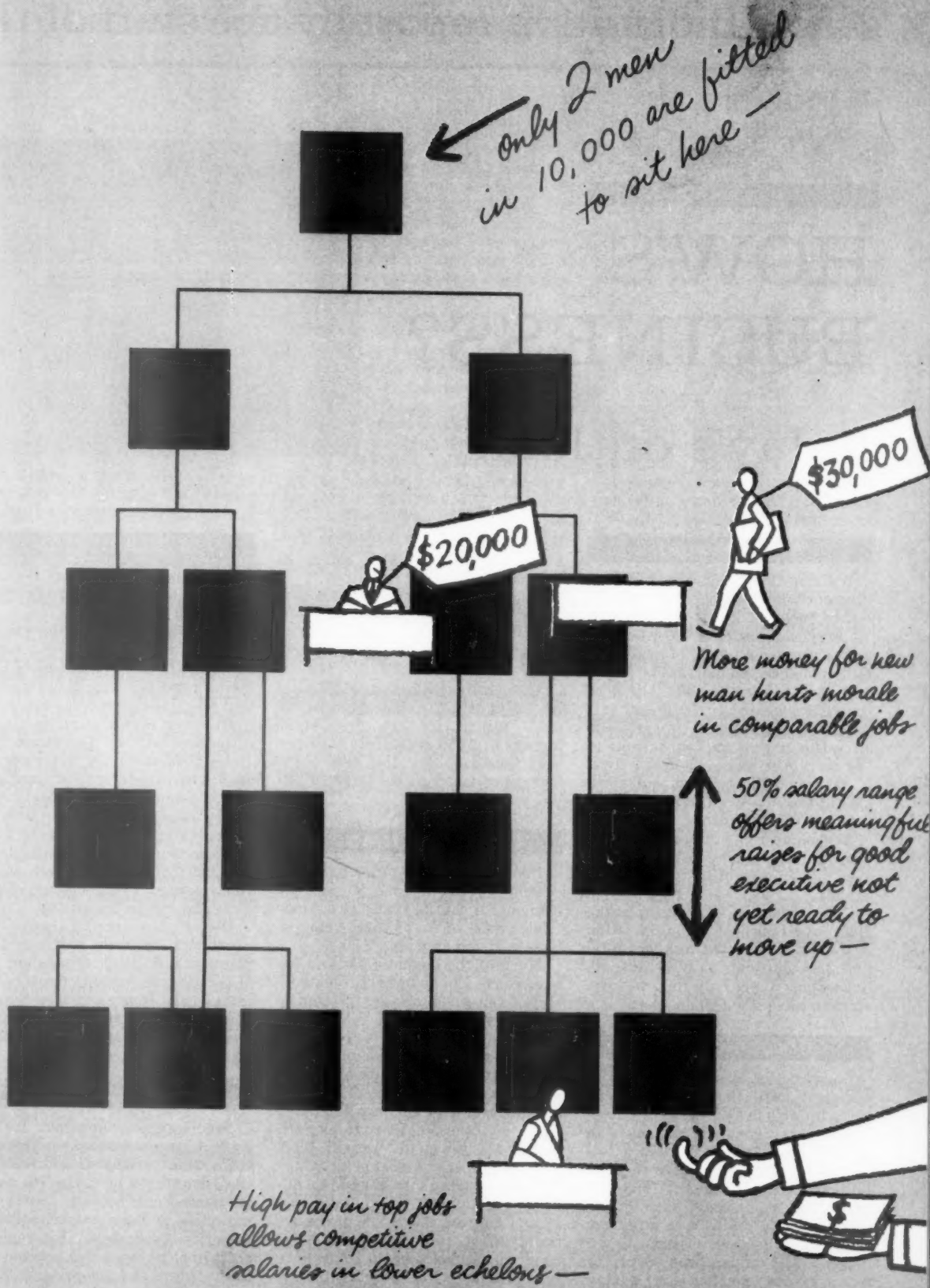
Unique role of manager

A study made for General Dynamics Corp. by the University of Virginia Graduate School of Business Administration throws valuable light on this and several other points. It points out that the role of the modern corporate executive differs greatly from that of the entrepreneur of classical economic theory. The entrepreneur was essentially an owner-manager. He claimed the profits of the enterprise not only as payment for his managerial services but also as a reward for the risk of his own capital.

Today's corporation executive occupies a much more complex position, which is perhaps best described by the term "trustee." He is, in effect, an arbiter among all of the groups which claim a share in the corporation's success—the stockholders who want bigger profits, the employees who want higher wages, the customers who want lower prices. But he is also one of the claimants. To the extent that a corporation's management is able to set its own level of compensation, it is acting simultaneously as judge and advocate, as referee and one of the players.

The University of Virginia study advises management to face unhypocritically the fact of this double interest. Its ethical implications are obvious: Management violates its trusteeship role if it seeks to compensate itself according to the naked rule of "all that the traffic will bear." The working out of a fair, rationally defensible plan of executive compensation is not merely a prudent safeguard against stockholder revolts; it is a moral obligation for any conscientious management.

This does not mean that a management which has a relatively free hand in the matter should be penurious in setting its own level of compensation. On the contrary. Great damage can (continued on page 44)



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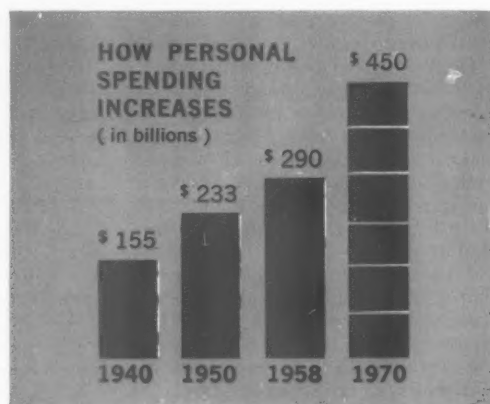
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executive not
yet ready to
move up —

High pay in top jobs
allows competitive
salaries in lower echelons —

HOW'S BUSINESS?

today's outlook



AGRICULTURE

We can expect increases in government wheat supplies for at least two more years.

Carryover stocks of old wheat on July 1 reached a record of nearly 1.3 billion bushels, an increase of 45 per cent over a year earlier. Although the 1959 wheat crop fell below last year's record output, it will still add an estimated 90 million bushels to the carryover stocks by next July 1.

Assurance that price supports will stay at the 75 per cent level throughout next year's crop and the absence of any suggestion of improvement in domestic and export outlets promise even higher carryover stocks by July 1, 1961.

The production limitations in the 1960 Agricultural Appropriation Act are not expected to affect total wheat output materially because its limitations apply only to those who already have \$50,000 in loans.

CONSTRUCTION

Construction expenditures may be curtailed until the steel mills can catch up with back orders.

Although construction put in place during August reached a record \$5.3 billion—well above the \$4.7 billion during August, 1958—the percentage of increase over July's figure of \$5.2 billion was less than the usual July-to-August rise.

Some \$3.6 billion was spent for new private construction during August, about the same level as for July. Public works construction out-

lays rose from approximately \$1.6 billion in July to \$1.7 billion in August.

Homebuilding normally increases from July to August, but expenditures in this field this year fell off to about \$2.1 billion, slightly below July.

The construction industry's estimated work-put-in-place volume of \$35.7 billion for the first eight months of 1959 represents a 15 per cent increase over the first eight months of last year when \$30.9 billion was reported.

CREDIT & FINANCE

Demand for short-term credit will continue strong and may outpace the demand for capital funds. Consumer credit, most of it for three years or less, is rising sharply.

Much of the business demand for short-term money has represented a shift from inventory contraction to inventory accumulation.

Further adding to this pressure is the Treasury's enforced reliance on short-term issues for new financing. The average maturities of marketable federal debt declined from 5¼ years on June 30, 1958, to an estimated 4¼ years in August, 1959. The volume of short-term Treasury bills outstanding increased \$14.6 billion from June 30, 1958, to July 31, 1959. Congress was asked to remove the interest rate ceiling on long-term government bonds to relieve this pressure. But Democratic opposition kept this recommendation pigeonholed.

DISTRIBUTION

Spending by consumers is now at new high levels for a large variety of goods and services.

Of the 8½ per cent climb in consumer purchases since the low of 1958, the U. S. Department of Commerce reports "only about one per cent seems to reflect price advances."

However, even though the Bureau of Labor Statistics' Consumer Price Index has been fairly stable over the past year, mild public irritation stems from the fact that many prices have continued to inch upward, while so few have gone down.

Nationwide, consumer debt is rising but there is no slack in the repayment rate—a good sign of public confidence in the future.

Distributive trades share this confidence as they continue their plant and facility expansion. The U. S. Department of Commerce estimates that construction volume in "stores, restaurants and garages" climbed during 1958 and ballooned 26 per cent this year.

FOREIGN TRADE

American businessmen making capital investments abroad are said to be favoring more than heretofore the advantages of taking in native partners. Some actually prefer that nationals of host countries have a majority ownership. This reported shift in planning is due in some part to the threat of expropriation. Some investors claim, however, that such threats have always been among the

Chamber of Commerce of the United States

inherent risks of investing abroad and they see no reason to change their practices now.

Increased local participation could, in certain instances, tend to offset a growing coolness toward foreign investors, a trend to higher taxes and mounting labor demands abroad.

In the first half of 1959, private foreign investment was about one-third less than that of the same period of 1958.

Holdings abroad now total more than \$40 billion. Dividend payments from direct investments abroad increased slightly in 1958, despite falling earnings, so that the amount of undistributed profits by foreign subsidiaries dropped by 25 per cent to \$750 million. Earnings decreased by some \$375 million in 1958—a decline of nine per cent from 1957.

GOVERNMENT SPENDING

Preparation of the budget for fiscal 1961 which the President will submit in January is under way. Even before the Bureau of the Budget makes its detailed review of agency requests—or the President applies his blue pencil—it appears that fiscal 1961 expenditures will be at least \$80 billion and possibly may reach \$82 billion. This is \$1.5 billion to \$3 billion more than estimates for the current year.

In spite of this, the 1961 budget may be balanced. The most conservative estimates of revenue are in the \$82 billion to \$83 billion range.

Both the estimated expenditures for fiscal 1961—and consequently the surplus—depend on congressional action on several pending bills.

This proposed legislation, already well on its way through Congress, includes a youth conservation measure, a peacetime ex-servicemen's readjustment act, area redevelopment legislation, and an increased federal water pollution program. If approved next session these would add approximately \$500 million to 1961 spending.

LABOR

At its coming session the United States Supreme Court will hand down some decisions of profound effect on labor relations.

Twelve cases are already scheduled for review; 13 others are being considered. Among them is the Curtis

Brothers case in which the National Labor Relations Board ruled recognition picketing unlawful when the union represents only a minority of the employees. Earlier the Board had ruled that the Taft-Hartley Act prohibited only physical violence and intimidation by unions and threats against individuals to compel them to join the union.

The new labor reform legislation lays down additional law on this subject and the case may now be declared moot for that reason.

Whether slowdowns and other harassing tactics during negotiations violate a union's duty to bargain in good faith will also come before the Court. In the Insurance Agents' case the Board has held such tactics are violations.

The Washington State Supreme Court ruled in the Yellow Cab case that state courts, rather than the Board, had jurisdiction over a cab company's labor dispute where its only connection with interstate commerce was to transport passengers to and from railroad stations, passenger ship docks and airports.

NATURAL RESOURCES

Congress next session may face a new aspect of the public-private power controversy.

Public power groups continue to press for more federal power projects. They want new federal dams and steam plants to supplement existing federal sources. Under the law, public agencies have first call, or preference, for any surplus power at federal reclamation and flood control projects.

Focus of the pressure at present is a federal "reregulating" dam on the Snake River in eastern Idaho, but the demands for federal power are heard in other sections—notably the Columbia Valley, the Missouri Valley and, of course, TVA.

The Idaho proposal is a 90,000 kilowatt power dam at Burns Creek, estimated to cost about \$50 million.

Irrigation and reclamation account for less than two per cent of the cost, according to Interior Department testimony before congressional committees, since irrigation water might be used "only two or three times" in 50 years.

Senator Bennett of Utah has said Burns Creek is not needed "unless the federal government is deter-

mined to launch forth on an unlimited power program."

TAXATION

Passage of the present bill to restrict state power to tax income derived from interstate commerce is only the first step in dealing with this problem.

The Act directs the House Judiciary and Senate Finance committees to study this aspect of state taxation and to recommend legislation providing uniform standards to be observed by the states in taxing income from interstate commerce.

The committees are directed to report not later than July 1, 1962.

For more than 20 years individuals and organizations have been struggling with the problems of allocation and apportionment of such income for state tax purposes. Many formulas have been proposed but none has found general acceptance because of the differing requirements of the producing and market states.

Now some of the disputed points may be ironed out.

TRANSPORTATION

The railroad strike picture looks increasingly dark as Nov. 1 approaches. The present agreements between the railroads and the five operating and 11 nonoperating unions end on that date.

Railroad management and the unions are far apart in their positions. The operating unions have asked for wage increases of 12 to 14 per cent, while the "non-ops" want 25 cents an hour more. In addition, they have demanded other concessions such as extra holidays, longer vacations, and benefits involving life and hospitalization insurance.

Management countered the demands by moving for wage cuts of 15 cents an hour. They also indicate a unified determination to revamp outmoded working rules.

Both sides have dug in for a struggle—"service interruption" insurance for management, and a strike fund for labor. Should the matter reach a general strike, government authority will probably be invoked to defer a major stoppage. If no settlement is reached in this cooling-off period, however, a strike could result.

YOUR PAY

continued from page 40

be done to a company if the chief executive officer, who happens not to need the money, gets a modest salary for himself and thereby depresses the pay scale through every succeeding echelon.

Entirely aside from any self-interest, top management has at least two legitimate reasons for believing that a generous program of executive compensation is essential to the well-being of the organization—and hence is in the ultimate interest of the stockholders, the employees and customers.

The most conspicuous reason is that real executive skill is extremely scarce. One authority has estimated that no more than two men out of 10,000 have the combination of abilities required for outstanding success in a top managerial job. The demand for executive talent far exceeds the supply, and the scarcity of any commodity is a classic economic justification for placing a high price tag on it.

The other reason—just as important although not quite so obvious—is that a corporation, in filling a top management post, has a compelling need to hire, so far as possible, the whole man. It wants to get out of him, not merely a competent performance, but the best that he can do. This means that it is in the organization's interest to free him from any worries about his private finances, and to hold before him effective incentives for all-out effort on behalf of the company's growth.

It is easy enough to justify a generally high level of executive compensation. But what are you going to tell the stockholder who asks why a particular executive is drawing a particular salary?

The truth too often is that there is no particular reason. The executive payroll of many a company is simply a roster of "personal rates" that reflect all sorts of considerations from sentimental recognition that Old Charlie has been with the firm a long time, to the need for offering Young Jones a handsome raise in order to hire him away from another company.

Personal factors such as these must indeed be taken into account in determining salary levels. But if they are allowed to dominate the whole procedure, the company will wind up with completely indefensible differentials which seriously impair management morale. The perils of basing compensation levels pri-

marily on the bargaining power of the individual are especially evident when a new man is brought in from the outside to fill a vacancy—at a salary substantially higher than those paid to home-grown managers in jobs of comparable responsibility.

Appraise managerial positions

The best way to bring order into your executive pay structure is to carry out a systematic job evaluation.

Once you have ranked each managerial position in terms of its relative importance to the over-all executive task, it is advisable to fix, not a specific salary, but a *range of total compensation* for that job.

N. B. Winstanley, Jr., manager of compensation and benefits for International Telephone & Telegraph Corp., recommends a spread of about 50 per cent between the minimum and the maximum rate for each position. Other authorities think the range should be wider. The important thing is that it must be wide enough to allow for meaningful raises for the executive who is doing a good job, but who is not yet ready to move up to another echelon. A substantial range also gives you room to maneuver when you are compelled to recruit from the outside to fill a vacancy.

Consider competitive pressures

No company can ignore the competitive factor in executive compensation. Its existence is made obvious each time you have to recruit outside your own shop—and each time someone else raids your stockpile of promising managerial talent. You should take realistic account of these competitive pressures. The key word is "realistic."

Contrary to popular belief, the place where a company should try hardest to meet the market in executive pay is not at the upper echelons, but at the lower and middle levels of management.

The idea—frequently voiced at stockholders' meetings—that "we have to pay our top men high salaries in order to hold onto them" is simply not borne out by management research. D. R. Roberts, dean of the School of Business Administration at Butler University, made a thorough study of executive turnover at the corporation officer level.

He found that the loss rate in companies with the highest levels of executive compensation was virtually identical with that of the lowest-paying firms. The turnover in both cases was about two per cent a year. Dean Roberts concluded that

turnover at the corporation officer level is largely confined to a few transients whose moving is influenced more by personality than by salary factors.

The real reason for paying high salaries to top corporation officers has been pointed out by Crawford H. Greenewalt, president of the Du Pont Company. Unless the top men are handsomely paid, there will be insufficient room in the salary structure for all of the pay differentials that are needed to provide a continual incentive to managers in lower echelons.

One implication of this truth is that it makes good sense to build your executive pay ladder from the bottom up. Start with the lowest rung—the point at which turnover is highest and competitive pressures are greatest. Here you have no real choice but to meet the market.

Next, decide how many clearly defined echelons of management your organization really needs. Don't try to borrow someone else's ladder, because each company has its own special characteristics in this regard.

The third step is to establish adequate pay differentials between echelons to constitute a strong incentive for advancement. The minimum differential is about 15 per cent, and many authorities favor 20 to 25 per cent.

In a big company, this procedure may bring the chief executive's salary to a seemingly astronomical level. Should any questions be raised, you can properly point out that it is not merely the president whom the company is trying to motivate, but also all of the bright young managers beneath him.

Weigh types of compensation

Paying an executive is like skinning a cat—there is no one ideal method which fits all circumstances.

Four basic types of executive compensation have emerged in modern corporation practice, and each has special advantages and limitations which you need to consider in formulating the plan best suited to your firm.

Straight salary is the oldest and still the most important form of executive compensation. There has been a lot of talk in recent years about the effect of the income tax laws in reducing the significance of straight salary. This is painfully true for upper-bracket executives; it is considerably less true for younger managers. A company will ignore at its peril their yearning for

(continued on page 49)

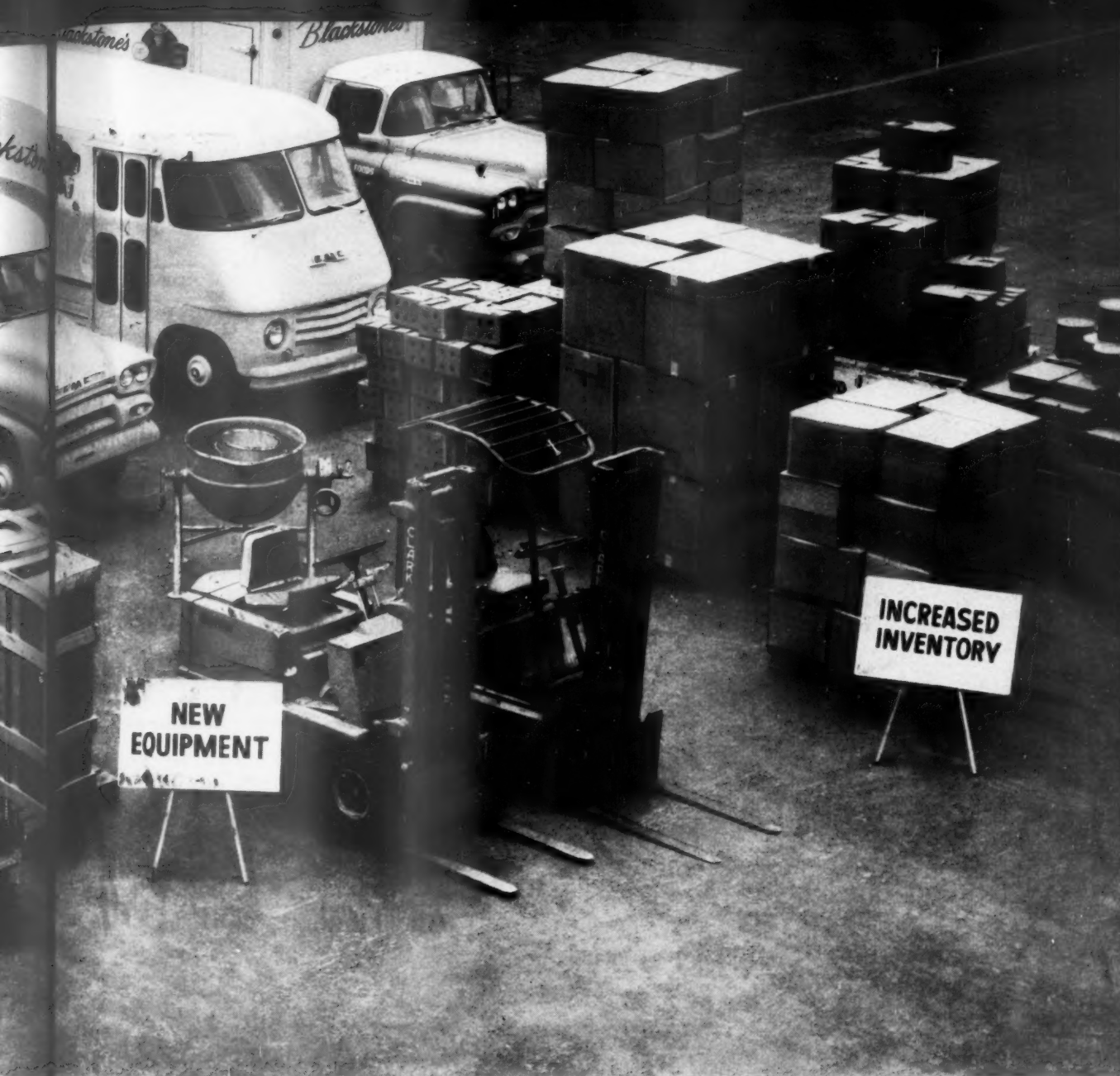


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YOUR PAY

(continued from page 44)

the largest possible here-and-now cash compensation. Even in the upper brackets, salary continues to have great psychological importance. It is the pre-eminent status symbol of modern society.

Straight salary has other advantages as the chief component of an executive compensation program. It is relatively easy to administer. Its gradations are readily comprehensible to executives and to stockholders, both of whom are sometimes baffled and irritated by the intricacies of other compensation schemes. It is a professional type of compensation. As the Virginia study points out, "It tends to eliminate situations in which the executive may directly and immediately benefit from his own decisions."

Aside from its vulnerability to income tax, its chief disadvantages are two: It is relatively inflexible, in the sense that the executive pay budget does not drop automatically in bad years; and it does not necessarily give managers an immediate, measurable incentive for increasing the profitability of the company.

In an effort to overcome these disadvantages of straight salary, business has devised a wide variety of bonus, stock option and profit-sharing plans that can be grouped under the heading of supplemental compensation. Their general effect is to treat an executive like a partner rather than a hired hand, and to give him a personal stake in the company's growth.

Experience indicates that a properly administered supplemental compensation program can be effective in certain types of operations where success is directly contingent on continued managerial aggressiveness.

But incentive pay also has disadvantages. It is poorly suited to the needs of stable companies which seek a high quality of professional administration rather than the bold tactics of the entrepreneurial type of manager. Bonus plans also are difficult to administer fairly, particularly where there are important executives whose contribution is of a nature that does not lend itself readily to quantitative measurement. Stock options create financing problems for executives, and tend to dilute the stockholders' equity.

Finally, the flexibility which profit-sharing introduces into the executive pay budget may be offset

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YOUR PAY

continued

by the bad effects on morale when expected compensation falls off sharply in a recession year, or by the anger of stockholders when the management group cashes in on a profit windfall that really resulted from some external factor.

Another type of executive pay which is growing steadily in importance is protective compensation. This category includes all of the numerous deferred income schemes, whether based on stock or cash or both, as well as pensions and insurance programs. Protective compensation has three principal advantages. It eases the tax blow on an executive by postponing part of his pay until later years when he'll be in a lower bracket. It helps to free his mind from private financial worries so that he can devote his full energy to the company's problems. To the extent that his claim on the deferred income hinges on remaining with the company, it stabilizes him.

The most obvious disadvantage of protective compensation as a major factor in executive pay is that it is far less attractive to young comers than to executives who are nearing retirement age. A company which puts too much emphasis on protective compensation may find that it is delighting its senior executives—who aren't going to leave anyway—but creating serious discontent at lower echelons where job-jumping is much more common.

The fourth and last form of executive compensation may be designated, for want of a better term, as "perquisites." This category includes everything from the much-joked-about key to the executives' washroom to a liberal expense account. Company cars and planes, payment of club dues, executive rest camps at fancy resorts—the list is long and getting longer. Perquisites have two advantages. The first concerns taxes: The company can deduct their cost as a business expense, and the executive does not have to treat them as taxable income (unless the bounds set by the Internal Revenue Service have been flagrantly overstepped).

The second advantage is psychological: Perquisites have become a status symbol second only to salary.

The great danger of proliferating perquisites is pointed out by Marshall K. Evans, budget director of Westinghouse Electric Corp. Cheating the tax collector by pretending

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YOUR PAY

continued

that purely personal luxuries are actually business expenses can have a seriously erosive effect on an executive's character.

Allow for individual needs

A sound compensation program must allow for flexibility in administration to meet the peculiar motivational and personal needs of individual executives.

The point here is that the compensation package which is ideal for one executive may be highly unsatisfactory for another. Many types of differences—in the type of job, in the age and family situation of the individual—need to be taken into account.

Incentive pay is particularly appropriate for the chief executive officer and for others—such as the sales and production managers—whose jobs require continuous pushing. In these jobs, "there is the nearest approach to a direct, roughly measurable relationship between competence and effort and tangible results." Hence the compensation package for these men may well be weighted with cash or stock bonuses.

Jobs requiring professional competence, such as comptroller or general counsel, call for a wholehearted devotion to the company's interests which might be encouraged by a sense of participation provided by a share in the profits.

Finally, there are important jobs, such as director of research, which are less actively concerned with the day-to-day struggle of business. Freedom from strain or worry about the future is likely to loom large to the occupants of such jobs, and protective compensation would be particularly attractive.

The ideal solution—although admittedly difficult to administer—is to give each executive a certain amount of option in selecting the components of his compensation package. This would permit younger men to concentrate on immediate cash, as most of them want to do, and senior executives to tailor their incomes to their tax and retirement problems.

—LOUIS CASSELS &
RAYMOND L. RANDALL

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*a visit with Frank Andrews,
president of Columbus
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SUBJECT: SHEFFIELD'S COLORED ALUMINUM ROOF COATING

It was nice to chat the other day with Frank Andrews, prominent Columbus, Ohio, industrial caterer. Of course, we worked the conversation around to the new appearance of his roof. Early this year, he said, the 10-year-old surface was restored with Sheffield's *Shef-Kote* Colored Aluminum Roof Coating, made with Alcoa® Pigments. What about results? we asked.

"Initial cost was somewhat more, but I felt that a quality product such as this would save money in the long run and would give our employees greater comfort," replied Mr. Andrews. "*Shef-Kote* has helped lower interior temperatures... in fact, I've hardly noticed heat in the building all summer."

Of course, it was too soon for Mr.

Andrews to talk about lower maintenance costs or year-round weatherproof protection. But we did point out that a tough, fibrated coating like *Shef-Kote* forms a tight continuous surface that seals out air and moisture; that it expands and contracts with temperature changes without cracking; that the reflective aluminum flakes protect from the intense radiation of the sun.

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Growing grants strengthen federal control

Students of \$7 billion program say it poses three grave risks

THE STRUGGLE to hold back new federal spending—spotlighted by President Eisenhower's vetoes of bills which would have increased this spending—will bring the subject of federal grants-in-aid into sharper focus in the next few months.

Grants-in-aid is a pleasant-sounding term which describes what Washington is doing when it takes money drawn from all the states, deducts handling charges, and funnels some of the remainder back to the states. Some receive more, some less than they paid in, to support activities ranging all the way from building superhighways to draining anthracite mines.

Federal aid to state and local governments has risen from \$1.7 billion in 1947 to an estimated \$7.1 billion for fiscal 1960. Grants-in-aid account for \$6.8 billion of the aid money allocated and spent.

Present and anticipated future pressures on Congress and the Administration suggest that the spending could continue to mount almost indefinitely.

The 1959 session of Congress offers many examples of how the pressures for spending for specific programs under grants-in-aid is building.

The President estimated airport

aid at \$55 million in 1960. The Senate bill this session totaled \$465 million for a four-year period; the House version was \$297 million. To avoid a presidential veto, \$126 million for a two-year period was agreed upon.

Indicating further the pressure for increases, Congress this year recommended grants for 10 years for waste-treatment facilities which virtually doubled the current \$50 billion program. Ironically, what Congress doubled was the program which both the Joint Federal-State Action Committee (composed of state governors and Administration officials) and the Administration recommended dropping entirely, with the function returned to the states.

The omnibus housing bill finally passed by Congress exceeded budget recommendations by about \$900 million.

Critics of the grants-in-aid program as now constituted argue that its steady expansion threatens the autonomy of our state and local governments. They believe that increasing national participation in ever wider fields of activity abrogates, at least to an extent, the decision-making power of local government.

The critics cite three specific dan-

gers inherent in the loss of local autonomy:

1. Governmental power could become dangerously centralized.
2. The role of the individual citizen could be seriously weakened.
3. Real local need could be overlooked and neglected.

Although national grants-in-aid are as old as the republic itself, the aid program as we know it today really started with the Morrill Act of 1862. This act provided land for educational purposes and became the basis of additional grants for agricultural experiment stations, extension work, and, at a later date, forestry aid. In the 1930's, with state finances staggering under the effects of the depression, the national government moved into further areas of relief, welfare and social security. By the end of the 1930's, grants had stabilized at \$500 million, as compared with \$100 million ten years before.

The really phenomenal growth of the grants program followed World War II. States and localities amassed surpluses during the war, but new and accumulated demands caused them to dissolve rapidly. State debt rose from \$14 billion in 1946 to \$47 billion in 1957, an average increase of approximately \$3

WHO GAINS, WHO LOSES...

"Aid" money from Washington has to come first from somewhere else. The government gets the money from the states, then redistributes it. Latest figures show how individual states fare in redistribution:

billion a year. Most national appropriations authorize grants of funds, providing state recipients match the national amount with an expenditure from their own funds for the purpose involved. There are at least 80 such national appropriations.

The clamor for more federal participation in financing state activities thus has become a built-in feature of intergovernmental fiscal relations.

Grave challenges to the traditional safeguards of the federal system of government could come with the growth of grants in the future.

Here are the threats as seen by those who have studied the question:

Centralization of power

Some people believe that state and local governments are almost an anachronism. Hence, in their eyes, further concentration of power in Washington would make for greater over-all responsibility and economy. They are not much concerned about what kind of government rules them, so long as that government satisfies their wants.

But if we should surrender all public functions to the national level of government, one distant group of individuals would have a measure of authority over a quarter of our economic activities. They would also have a monopoly of the legal coercive power of our society.

Although safeguards of liberty are built into the Constitution, and our national psychology embraces constitutional government, we cannot afford to ignore the additional political safeguards of liberty that decentralization of government provides.

It is significant that those European countries which lost their representative institutions in recent decades were those without effective and powerful local government.

Present trend weakens citizenry

Decentralization is important for the development of the citizenry because the individual citizen is a more important person in a smaller unit. Many, if not most, of us are well acquainted with members of the local school board and with local officials. Opinion and advice are freely given and accepted. Fewer of

(Continued on page 60)

15 states
PAY IN
more than
they get

35 states
GET BACK
more than
they pay

State	Payment to states* (Millions)	Estimated Burden (Millions)	Estimated amount paid for each dollar received
California	\$464.8	\$506.5	\$1.09
Connecticut	50.1	111.0	2.22
Delaware	9.9	29.1	2.94
Florida	112.3	112.9	1.01
Illinois	200.2	359.1	1.79
Indiana	62.2	118.4	1.90
Maryland	65.0	92.7	1.43
Massachusetts	128.2	174.1	1.36
Michigan	170.8	245.6	1.44
New Jersey	76.0	208.1	2.74
New York	354.8	674.8	1.90
Ohio	209.0	303.8	1.45
Pennsylvania	203.7	355.6	1.75
Virginia	72.4	81.9	1.13
Wisconsin	76.4	102.6	1.34
Alabama	\$120.1	\$ 46.4	\$0.39
Alaska	28.0	4.4	.16
Arizona	53.5	25.6	.48
Arkansas	75.4	21.7	.29
Colorado	90.3	46.8	.52
Georgia	123.1	61.7	.50
Idaho	28.4	12.8	.45
Iowa	85.0	57.2	.67
Kansas	63.8	45.9	.72
Kentucky	86.8	51.3	.59
Louisiana	133.6	60.2	.45
Maine	29.1	20.7	.71
Minnesota	86.0	81.4	.95
Mississippi	90.1	20.7	.23
Missouri	170.4	113.9	.67
Montana	33.6	14.8	.44
Nebraska	39.5	32.1	.81
Nevada	21.8	10.3	.47
New Hampshire	20.0	15.8	.79
New Mexico	70.3	17.3	.25
North Carolina	108.8	64.6	.59
North Dakota	32.2	9.4	.29
Oklahoma	133.6	44.9	.34
Oregon	79.2	44.9	.57
Rhode Island	33.6	27.6	.82
South Carolina	57.5	29.6	.51
South Dakota	31.2	10.9	.35
Tennessee	92.5	56.7	.61
Texas	287.7	211.1	.73
Utah	30.8	17.3	.56
Vermont	13.6	8.9	.65
Washington	104.4	76.5	.73
West Virginia	50.2	37.5	.75
Wyoming	39.0	8.4	.22
Hawaii, District of Columbia, territories and possessions	133.5	46.9	.35

*From Annual Report,
Secretary of the
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GRANTS

continued

us know well those who govern at the state level, and still fewer at the national level.

With decentralization, with policymaking at lower levels, people who are interested in their government develop their own sense of political responsibility. Local self-government is one of several factors which help to educate a population toward the qualities necessary to conduct representative institutions. If we want our people to be self-respecting, to have a sense of doing things for themselves, we must keep some important aspects of policymaking in their local and state governments.

Present system ignores local need

People in different sections have different psychological outlooks, different traditions, and different needs for governmental services. Uniformity of action through a national program is hardly advisable under such circumstances, but uniformity is almost inevitable under national policymaking and administration.

A case in point, presented by former Gov. Dan Thornton of Colorado, is reported by the U. S. Commission on Intergovernmental Relations. The national government is carrying out agricultural policies in Colorado which tend to plow up land unnecessarily, and then require tying the land back to the earth. Clearly different policies would have been followed had the state been administering its own agricultural program.

The national government, of course, did not intend such an inconsistency, but found itself unable to adapt its agricultural policies to the needs of the dry area of Colorado.

Loss of autonomy through grants

Early grants, to a considerable extent, were welcomed by students of public finance and of government. Not only did they provide a solution to the imbalance between revenue sources and expenditure needs at the state and local level, but also they promoted the expansion of certain functions in which there was a national interest. It was believed that a grant program would retain the benefits of local administration of functions which require knowledge of local conditions and involve local responsibility.

Unfortunately, these thoughts
(continued on page 64)

Cover the Southeast

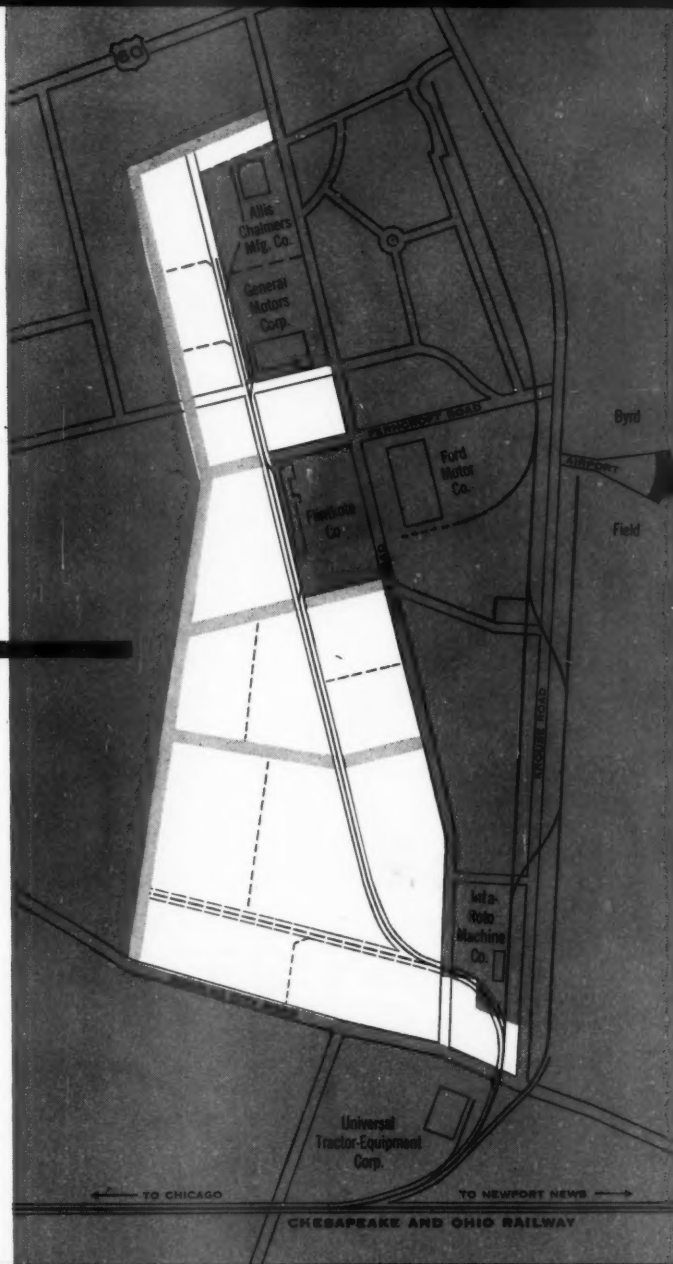
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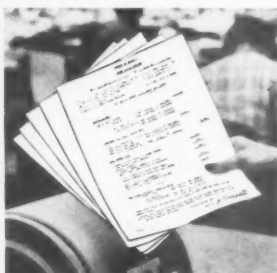
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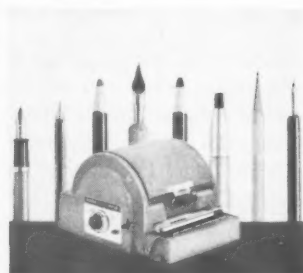
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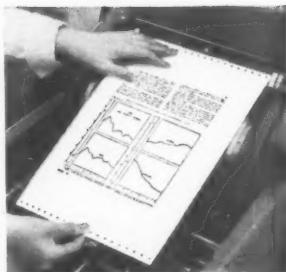
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GRANTS

continued

have been borne out only in part. As grants have expanded, the system has developed unforeseen rigidities and administrative difficulties.

The greatest difficulty caused by the national grant program is its effect on the autonomy and financial responsibility of the lower levels of government. Although stimulation of state activity in certain fields and the control necessary to ensure such activity may have been important at one time, many stimulating grants have now become examples of perpetual piecemeal budgeting. No grant has ever been perma-

nently repealed. Control of state activities, to the extent to which it has occurred, spread gradually with the passage of time. Over the short run, any effect on autonomy is almost imperceptible. Over the longer run, however, national controls may become so great as to threaten the autonomy of the states and the entire federal system.

The development of national controls and attendant loss of local autonomy may be illustrated over the period from 1928-1948. In 1928 the National Municipal League made a pioneering study of the grant program. It asked state officials working in national aid programs: "Has federal aid led to federal interference in state affairs?"

Of the 264 replies, only 6.1 per cent answered in the affirmative.

An identical question was asked in 1948 by the Council of State Governments. The affirmative answers to the question on this occasion were 35.8 per cent. The percentage finding such interference had increased sixfold over the 20 year period.

More recently, the Commission on Intergovernmental Relations, appointed by President Eisenhower, found stronger evidence of losses in state autonomy through the grants-in-aid program. Several governors on the Commission gave examples in which their department heads paid more attention to the national bureau, which provided part of their funds, than to the governor. The national government exercised more fiscal authority over state officials than did the state itself.

A majority of state budget directors told the Commission that grants-in-aid had a distorting effect on their budgets. In many states grants and required matching funds were 25 per cent of local and state expenditures; in a few they were as much as 40 per cent.

Two years ago the Joint Federal-State Action Committee, composed of high-ranking Administration officials and governors of various states, was formed to study the same problem. The committee was organized after President Eisenhower told the 1957 Conference of Governors: "Those who would be and would stay free must stand eternal watch against excessive concentration of power in government."

As national appropriations for specific purposes increase in number, the greater is the amount of state funds which must be used to participate in nationally financed programs. To the extent that national appropriations become more numerous, the states exercise less discretion in establishing their own budgets, and local people have less opportunity to decide for themselves on the policies to be pursued within their own states.

Block grants a solution?

Whether we like it or not, grants will probably remain a substantial part of our over-all financial structure. Neither congressmen, bureau employees in Washington, state employees nor those interested in the grant expenditures at the state level will willingly permit substantial reductions. In fact, the trend is clearly toward greater rather than smaller amounts.

The question, then, is can we

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organize grants to provide for greater autonomy, greater financial responsibility, and greater citizen participation at the state and local levels of government?

Some students see a solution in the consolidated (or block) grant, rather than the specific type currently in use.

The specific grant involves a specific appropriation by Congress for a specific purpose. A state which wishes to participate in available funds must establish a program, usually involving matching funds, which conforms to the exact purpose specified.

Although the specific grant guarantees uniform operation in all jurisdictions, it does not guarantee that national and state funds are spent most effectively for the needs of particular areas.

For example, the 1960 budget provides specific appropriations for control of venereal diseases and tuberculosis, mental health activities, maternal and child welfare, water pollution control, and waste-treatment facilities.

Under a block grant proposal, one appropriation could be made for the whole field of public health. Participating states could spend funds within the general area of public health in accordance with local needs rather than in accordance with specific appropriations made in Washington.

Such a procedure would not necessarily reduce expenditures. But it would permit Congress to consider national expenditures for public health as one item rather than as a multiplicity of smaller specific appropriations. In addition, it would permit the states to emphasize those aspects of public health which were most important in their area. State budgets would have greater flexibility.

Decisions on emphasis in the public health field would be made by local rather than Washington officials.

Block grants will not provide for complete uniformity among the states.

If Washington wants a uniform tuberculosis program in each state, for example, a block grant will not attain that objective.

If equalization of financial ability among the states is desired, or if supplementation of state revenues from national funds appears necessary, block grants would accomplish these objectives more satisfactorily than the current specific grants-in-aid.

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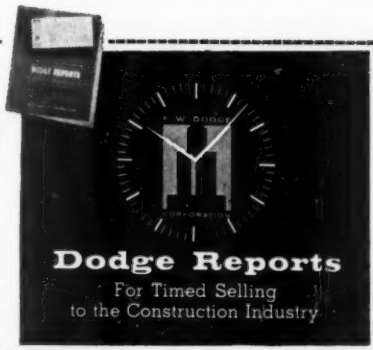
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CONGRESS

Continued from page 33

Congress and the public to get what he wants. But this has not been the only lesson learned in 1959.

Many newly elected members of Congress have learned that Congress works by evolution, not revolution. Each change is a compromise, and most changes come slowly.

"I guess we'll just have to stay in neutral until we get somebody else in the White House," one Democrat said. Another Democratic member said, "Both parties feel the public is becoming increasingly aware that federal money's not free. The political oomph has gone out of large spending programs. I believe the comprehension and apprehension of the public will increase."

Union leaders have learned that they don't own a congressman just because they support him or contribute to his campaign.

"They thought they could put in a nickel and my eyes would light up like a pinball machine," a pro-labor congressman told *NATION'S BUSINESS* just after the labor reform fight in the House. "I really got a working over," he said. "They even flew two union leaders here from home to put on the pressure." Complaints of union pressure and arrogance were widespread.

"The new, young liberal in Congress is not automatically an uncritical labor advocate," says Rep. John Brademas (D., Ind.), an outstanding representative of this group. "The thinking liberal today is for labor reform."

Another lesson some members learned was that the old conservative Republican-southern Democratic coalition is as virile as ever. It worked, for example, when the labor reform legislation—the Landrum-Griffin bill—came to a vote in the House. The hard-working G. O. P. House Leader Charles Halleck supposedly has an understanding with the conservative Virginia Democratic Chairman Howard W. (Judge) Smith of the House Rules Committee. Almost all legislation must pass through the Rules Committee. The power each holds makes backscratching mutually beneficial.

Still other members learned to understand more clearly the philosophy and methods of Lyndon B. Johnson, majority leader of the Senate. Charges from liberals in Congress and from Democratic National Chairman Paul Butler that he was too moderate left him unscathed. His leadership remained steady. His

policy is to practice the art of doing what is possible and what he calls reasonable.

The experiences of the first session, together with the elements expected to be at work in the future, have served to set a path of action for Congress next year.

Here then is what can be expected in these major fields of concern to business:

Taxes: Next month the tax-writing House Ways and Means Committee plans to start what may be the biggest, broadest study yet of the federal tax system.

The present federal tax load, if spread evenly over the nation's population, would mean a tax bill of more than \$400 a year for every man, woman and child. But little really is evenly spread in the tax system. That's one main reason for the tax reform study: to get more fairness and equity among taxpayers. The over-all aim is to set up a broader base for taxing—which



means changes in deductions, exclusions and other special treatment. A broader base could raise more money so that tax rates, which now go up to 91 per cent, can be cut.

The whole tangled tax system can't be overhauled next year, though. In fact, as House Ways and Means Committee Chairman Wilbur Mills (D., Ark.) told *NATION'S BUSINESS*, "We'll be lucky if we can do it all by the end of the next Congress (1961-1962)." However, important decisions will be made next year, because the comprehensive hearings and panel discussions scheduled will begin to blaze a trail. They will show more clearly what must be done to achieve economic growth, who is benefiting from present laws, and where changes can be made. They will also help measure public reaction, which will guide future decisions.

Both Mr. Mills and his counterpart on the other side of the Capitol, Chairman Harry F. Byrd of the Senate Finance Committee, see little chance of major tax reduction in 1960, though it's an election year and a surplus is possible in 1961 if not this fiscal year.

The President, too, has all but

ruled out tax cuts during the rest of his Administration. Any budget surplus should be used to shave down the debt, he has said.

Throughout Congress there seems to be growing feeling that debt reduction should have priority. As one member says, "After that horrible \$12 billion deficit during the past year, we should first think about reducing our debt." Major tax cuts, in the minds of many members, are now becoming linked with tax reform or revision. Senator Byrd, for example, says: "I should think any real reduction would be tied to closing loopholes." Other lawmakers, on committees not directly concerned with tax statutes, also see major tax reduction as only a part of revision of the whole system.

Undoubtedly some tax changes of a more limited nature will be made, however.

The outlook is favorable for passage of legislation to let U. S. corporations defer taxes on business income from foreign sources that is reinvested abroad. At present only foreign-based subsidiaries of U. S. companies can postpone paying taxes on foreign earnings.

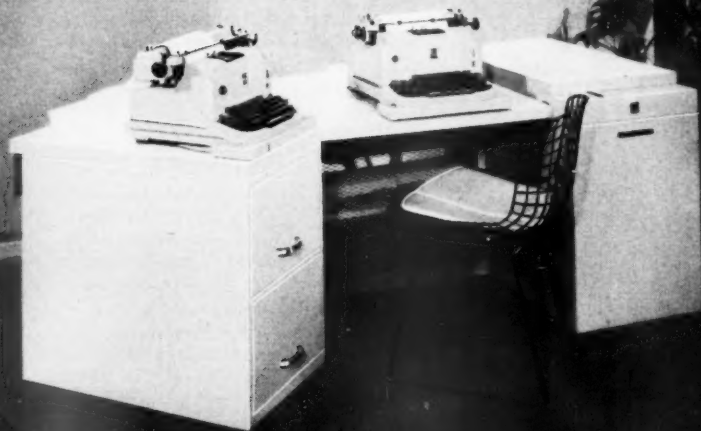
Congress also is likely to restrict slightly the use of the depletion deduction allowed oil and other mineral producers. The deduction usually amounts to a certain percentage of the sales price of the material or mineral involved. Court decisions have held that finishing processes could be included in figuring the price, thereby increasing the deduction. The Treasury and Ways and Means Committee want the deduction calculated when the mineral is first commercially marketable, which would keep down the deduction.

In January, hearings will be held on proposals for taxing cooperatives. Co-ops now avoid taxation on income allocated to members but not paid out to the members. Courts have held that money not actually paid to the co-op members shouldn't be taxed to them. There's a chance that co-ops may have to pay taxes on income they hold.

Decisions also must be made on expiring tax laws. The 52 per cent corporation tax rate drops to 47 per cent next July 1, unless it is extended again, as it probably will be. Excise taxes on cars, liquor and cigarettes would drop July 1 unless extended, as probably they will be.

The excise tax on travel tickets is scheduled to drop from 10 per cent to five per cent next July 1, and the tax on telephone service also will end. These travel and phone reduc-

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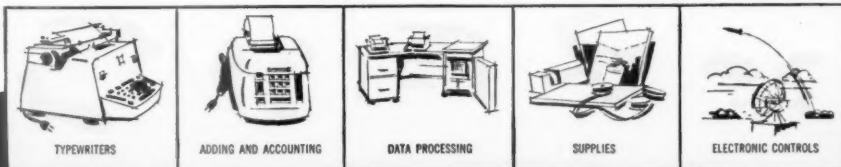
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CONGRESS

continued

tions probably will take effect as scheduled.

More legislation may be enacted next year limiting the states' power to tax interstate commerce. The Supreme Court last February held that a state could tax an out-of-state company operating within its boundaries even though the company had no inventories or offices in the state. A relief bill to exempt firms that only do sales business but have no property there passed this year. But it was called only a stopgap measure that would be refined later after study of interstate tax questions. The bill provided for a study which may go into federal-state tax practices and tax load, which now totals about \$100 billion a year.

Defense: The Administration is trying to cut next year's defense spending below the \$41 billion of this fiscal year, or at least hold the spending line. It's trying to economize by eliminating some ultra-expensive competing arms or weapon systems that may be obsolete before they are fully developed.

Some economy proponents say, for example, that the B-70 chemically-fueled bomber or the Titan 5,000 mile missile are vulnerable to the economy knife.

Any major defense decisions, whether they involve canceling multimillion dollar contracts or revising concepts for fighting future wars, will stir up congressional turmoil and could lead to investigation and legislation.

The new face-to-face diplomacy between Soviet Premier Khrushchev and President Eisenhower could ease cold war tension, but Congress will undoubtedly resist any moves to cut defense strength.

"Nothing in the Eisenhower-Khrushchev visits suggests a step toward disarmament," says one House Armed Service Committee member.

Drastic changes in the defense set-up, however, such as eliminating the separate military services we now have and unifying all branches of the armed services, probably will not be enacted soon. A reorganization solely on the basis of functions and missions—though probably extremely economical and efficient—might take Congress years to complete if it went along with the idea.

Next year will also see proposals for multibillion dollar atomic attack shelters. But questions of expense

and whether a shelter program should be federal, state or individual responsibility would undoubtedly stall any action next year.

Labor: Enactment of the labor reform law this year forces labor to swing its legislative guns to another target. Enactment of strict labor reform also put many congressmen in a position of being "antilabor" in the eyes of big union leaders. So these lawmakers may want to placate union labor by passing other legislation that labor wants.

Some 238 members of the House of Representatives who won election last year were supported by the AFL-CIO, as compared to 217 members in the previous Congress that voted with labor at least half the time.

The Senate now has 68 members who were supported by the AFL-CIO, compared with only 58 members before the 1958 election who voted AFL-CIO's way at least half the time.

To smooth ruffled feelings on the labor reform bill and gain labor votes next year, Congress might extend the minimum wage—a prime union goal. A bill to extend coverage under the Federal Wage and Hours Law to 10 million additional workers and boost the minimum from \$1.00 to \$1.25 an hour was approved by a Senate Labor Subcommittee this year.

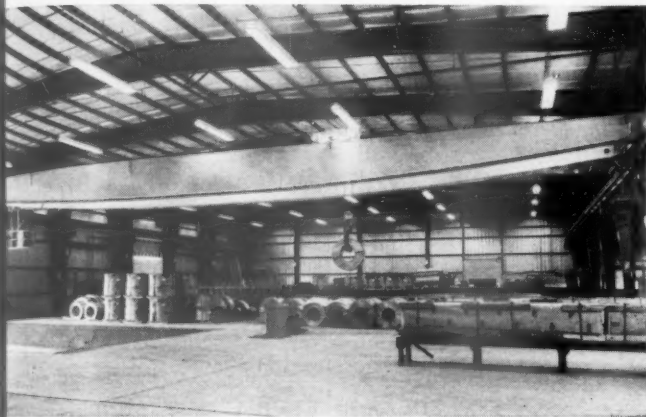
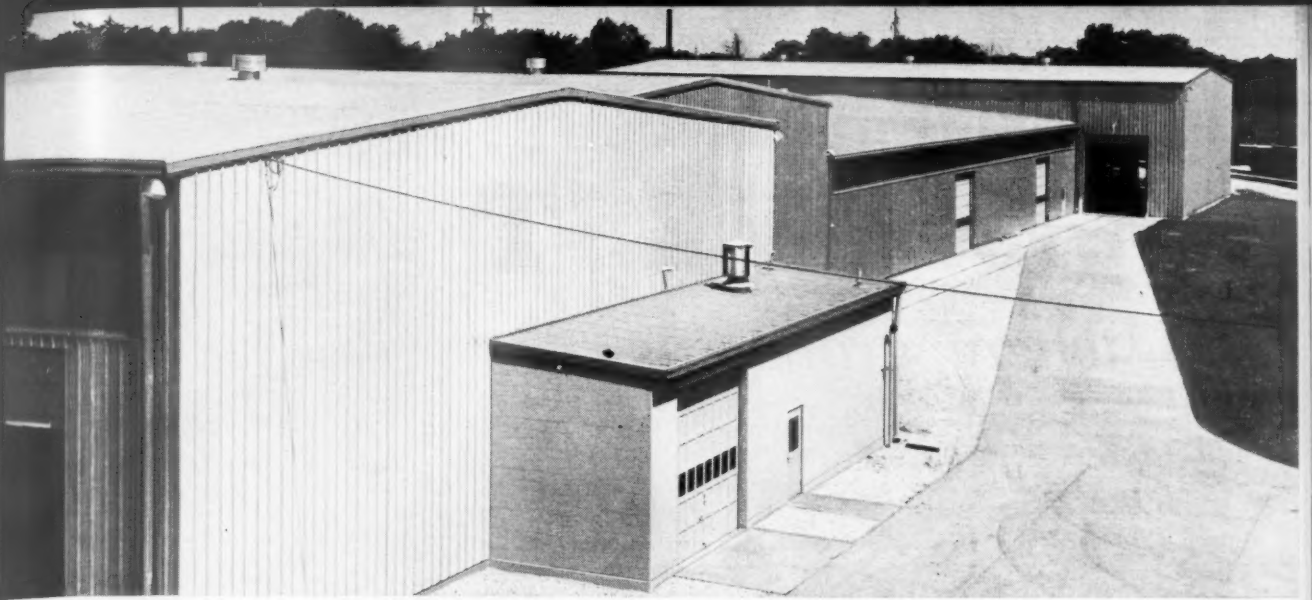
The minimum might be raised and more workers brought under the Act, though some members feel that only the provisions extending coverage will be passed in 1960.

Measures to limit further the expansion of labor power, such as putting unions under antitrust regulation or restricting compulsory unionism, stand much less chance of enactment.

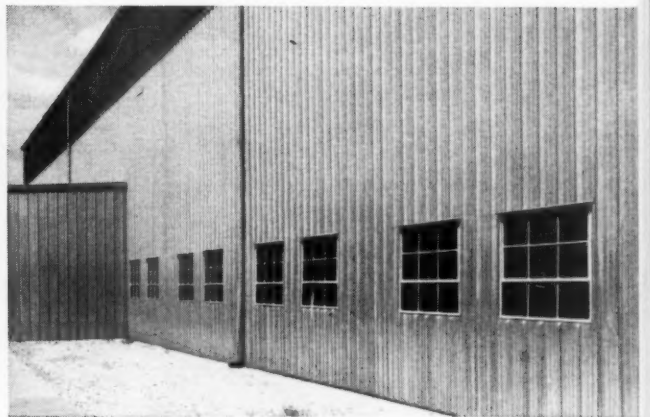
Health, education and welfare: Plenty of dormant pressure exists in Congress for welfare, education and health legislation. Passage this year of a bill revising the system of pensions for war veterans that will boost the cost to government \$10 billion over the next 40 years is an example of this pressure.

New and bigger pensions, earlier retirement benefits, medical and hospital payments for the aging as well as federal subsidies for schools and teachers have great appeal, particularly among congressmen in the heavily populated urban northeast.

Nearly every election-year Congress broadens the social security program. Next year the big issue will be the so-called Forand bill, providing hospital, surgical and



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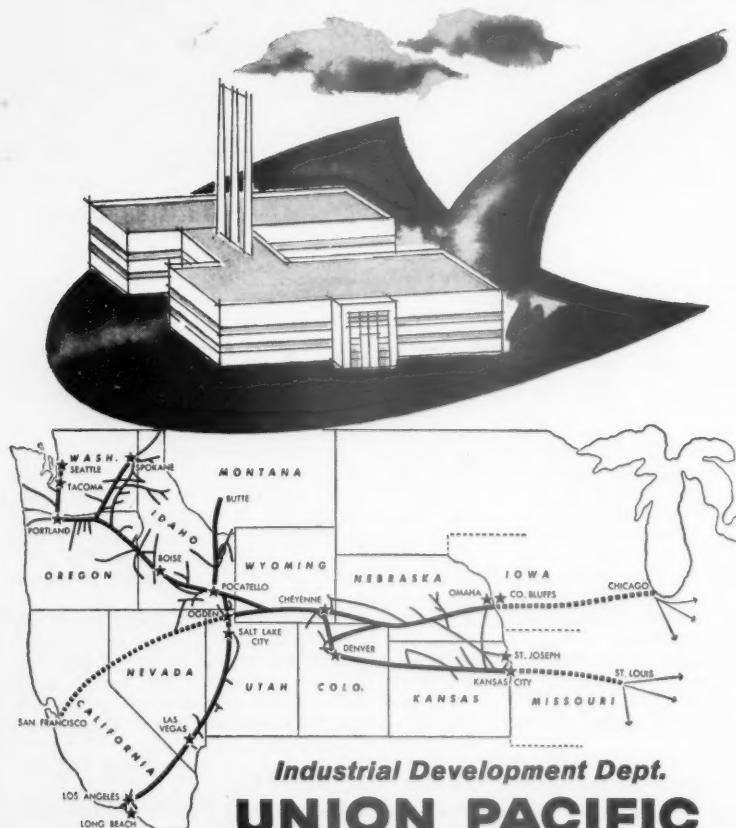
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CONGRESS

continued

nursing-home care for social security beneficiaries. This measure, if enacted, would cost more than \$1 billion the first year. The bill probably won't gain enough support in the House Ways and Means Committee to get to the floor. There's a chance, however, that some sort of legislation to promote voluntary medical insurance for the aged may be passed.

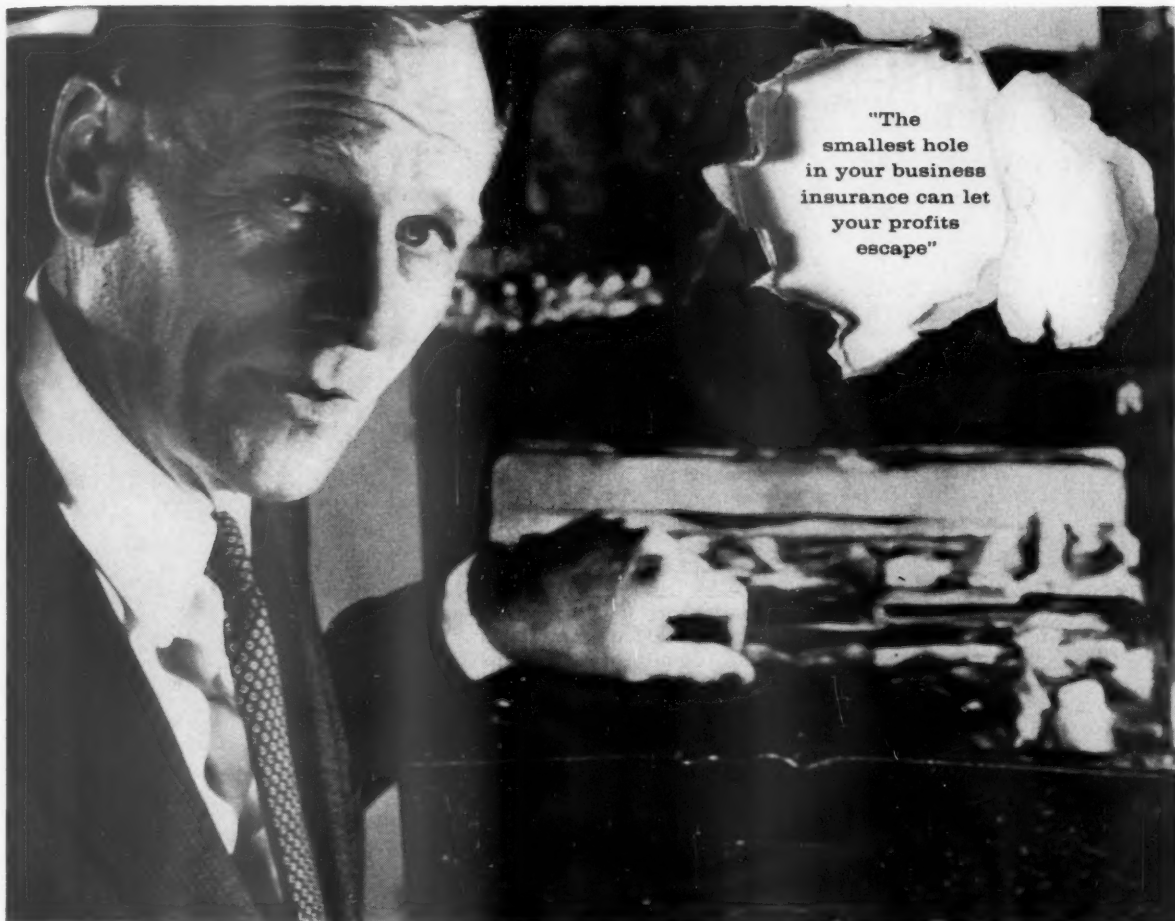
Proposals to provide federal aid or subsidies for education cover a wide range. The Eisenhower Administration has a plan to help states finance construction at a federal cost of only \$2.5 billion over 25 years. At the other end of the scale of pending legislation is the \$4.4 billion Murray-Metcalf bill to subsidize both school building and teachers' salaries over four years.

A compromise measure to authorize \$500 million a year for two years for school construction alone has a chance of passage in 1960. "If the Republican-southern Democrat coalition holds up, it will be pretty rough though," predicts one northern Democrat. Another Democrat forecasts: "There will be no teacher pay provision, but we might get through a two or three year \$500-million-a-year bill." Even if such a measure passes, chances are the President would veto it. Health, Education and Welfare Secretary Arthur Flemming has indicated as much.

Housing and highways: President Eisenhower this year asked Congress for a two-year, \$810 million housing program. Congress instead offered other legislation which the President vetoed as extravagant and inflationary. Finally, Congress passed a trimmed version amounting to about \$1 billion in spending authority. Included in the bill were expensive programs for public housing, urban renewal, college classrooms, and housing for the elderly opposed by the President in the first bill.

Since the bill also extends the Federal Housing Administration's authority to insure private mortgages, but only until next year, this assures another crack at a housing bill next year.

It would give Congress another chance to increase public housing, urban renewal and any other programs it can conceive just before election. Says Senator Humphrey: "Urban renewal must be increased



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CONGRESS

continued

next year. That's at the top of the list and absolutely essential."

Though Congress finally settled on a one-cent increase in the federal gasoline tax for 22 months to keep the highway building program operating on a pay-as-you-go basis, demands may be made to cut the tax back to three cents a gallon and pay the highway construction trust fund deficit with money from the general fund. This would be a more inflationary move.

Pending legislation providing \$1 billion in loans for such community facilities as water and sewage projects stands almost no chance of being enacted next year. So-called area redevelopment legislation authorizing loans and grants for redevelopment of economically depressed labor surplus areas has a slim chance for passage. One member of the House points out, "Both the Administration and the Democrats have proposed this in different amounts, so it gives us running room. And these chronic unemployment areas are still there even in a boom." However, a program of many millions would probably be vetoed as too inflationary.

Agriculture: The farm mess could start a battle royal next year. President Eisenhower is planning to use radio and television in an appeal to the grocery-buying public to back Administration proposals for cutting surpluses of basic crops.

Support in attacking the farm problem might come from liberal city Democrats, who realize the burden in food bills and taxes their constituents are paying for supporting farm prices and storing surpluses. Many northern liberals are also mad at southern farm supporters who voted with Republicans for labor reform legislation this year. After the House vote on the labor bill, one prolabor city Democrat said: "It means trouble for tobacco, peanuts and cotton from now on."

One of the top surplus backaches is wheat. Efforts to find solutions to the \$3 billion wheat glut have failed so far. Congress this year passed a bill to cut the national acreage allotment and raise price supports for wheat, rather than follow Administration recommendations for cutting price supports and relaxing acreage controls. President Eisenhower vetoed the bill.

There's an outside chance that Congress, in the search for a solution to the multibillion dollar farm

problem, might borrow from the past and revive the plan for direct cash subsidies proposed by former President Truman's Agriculture Secretary, Charles F. Brannan.

The cash subsidy idea called for federal payments to farmers to make up the difference between the price their commodities brought in a free market and what the government sets as a fair price. It could reduce food prices for consumers but would be more expensive for taxpayers than the present farm expenditures. The House Agriculture Committee approved a bill this year to pay direct subsidies to hog farmers.

A broad Brannan plan, however, would certainly be opposed by the cost-conscious Eisenhower Administration.

More ideas will probably be proposed for distributing surpluses abroad as a part of foreign relations. Legislation to provide needy families with government stamps, entitling them to free food from farm surpluses, was enacted this year on a trial basis.

Business controls: Several measures to put more controls on business or give Uncle Sam more to say about business decisions are pending precariously.

A bill with little support from anyone but its author, Sen. Joseph C. O'Mahoney (D., Wyo.), would require companies to give the government prior notice of price increases. This measure has almost no chance next year.

Another price bill, introduced by Rep. Henry S. Reuss (D., Wis.) gives the President power to order investigations of actual or prospective price increases. One liberal Democrat said the need for such a measure diminished when Labor Secretary Mitchell began putting out his fact-finding reports on the steel strike. So pressure for this kind of legislation will probably vary with how much the Administration does and says about price changes in specific industries. Some attempts might possibly be made on Capitol Hill to devise credit or other controls if a new wave of inflation begins in 1960.

Bills to eliminate "good faith" meeting of competition as a complete defense in price discrimination cases under the Robinson-Patman Act probably won't pass next year. One key sponsor, Sen. Estes Kefauver, will probably be so busy running for re-election that he won't devote as much time to his bill.

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CONGRESS

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to give the government advance notice of intentions to merge are supported by the Administration as well as Democrats. However, members of both the Senate and House Judiciary Committees which handle the legislation say there's just not much steam behind the idea.

Interest rates: President Eisenhower's demand for authority to raise interest rates on government bonds was met only partly by Congress this year. The Administration was given power to hike the interest rate above 3.26 per cent on E and H savings bonds. But Congress refused to eliminate the 4.25 per cent interest rate on new issues of government securities of five years or more.

The Administration argued that the artificial limit the law now imposes on the interest rate the Treasury must pay to borrow long-term money is inflationary. The reason is that the cost for long-term borrowing is higher than the 4.25 ceiling. So the Treasury has to issue shorter-

term securities where there is no interest rate restriction. But because Treasury is borrowing in competition with business, consumers and state and local governments, this forces up the cost of short-term money.

Since the Democratic leaders are against higher interest rates and for so-called easy money, the prospects of higher rates for long-term government bonds are dim next year.

Small business: Chances are Congress will be courting small business in some fashion next year. The Small Business Investment Company Act, which permits loans and equity capital through state and federally chartered private companies, is still comparatively untried and probably won't be changed much if at all. But new legislation may well be advanced to let small businessmen deduct from their taxable income part of their earnings reinvested in capital assets, or to allow new small companies tax exemptions on part of the earnings in early years of operation. Some relatively minor change that wouldn't cost a lot in revenue has a fair chance in election year 1960. **END**

LABOR REFORM *continued from page 37*

management from participating in a conflict of interest, and from being a party to sweetheart contracts.

Doesn't the law also give businessmen some new protections against labor abuses?

Yes, particularly with respect to secondary boycotts and blackmail or shakedown picketing; also, organizational picketing and hot cargo contracts. It gives small businesses a forum for the redress of grievances in that there is no longer a no man's land.

Where the National Labor Relations Board declines to take jurisdiction, those who are suffering a wrong or injury can now seek redress in state courts and before state agencies.

Would this restore some life to state laws which have been relatively ineffective?

Yes. But the all-important thing is that no longer can there exist a wrong without a remedy. The injured persons or those who are aggrieved can either get their complaints processed before the National Labor Relations Board, or they can have them adjudicated in

the state courts or before a state agency, where the state provides one.

Will you explain briefly how the new law closes the Taft-Hartley Act's loopholes with respect to secondary boycotts?

Heretofore, although I do not think the Taft-Hartley Act intended so, unions were free to picket the customers of a plant that was having a labor dispute in order to bring pressure on the management involved in the dispute to yield to union demands. A firm doing business with the struck plant, although an innocent bystander, frequently became the helpless victim of a situation that resulted in great injury to it. That class of boycotting and picketing is now prohibited.

Are unions thus prohibited from putting direct pressure on the innocent employer?

That is correct.

How does this law attempt to take the racketeers out of unions?

A number of provisions will seriously hamper the racketeering element. To begin with, it prohibits

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convicted criminals and ex-convicts from holding responsible office or authority in labor unions for five years after their conviction of certain crimes or the termination of imprisonment.

The new law also requires a correct and complete accounting of union funds—the keeping of financial records for a five-year period. Again, the democratic processes of holding an election and the requirement that elections be held by secret ballot will contribute to the riddance of gangsters and crooks from union office.

Do you feel that this will have a wholesome effect on unions with corrupt leaders?

Yes. It is going to have an impact on any union that has been operated by the labor-boss type of leadership, and where corruption has been prac-

ticed and democratic processes and rights are denied to the members.

Are there some areas that you feel the new bill fails to cover?

I do not think the bill is perfect. I think after brief experience in its administration and application we will find it needs some strengthening and maybe, in some areas, some modification.

What do you think will need to be done if this law fails to achieve its objectives?

I assume you are referring to the proposed association of all transportation unions under the leadership of Jimmy Hoffa, president of the Teamsters Union; Harry Bridges, boss of West Coast longshoremen, or some leader of that type. If this law proves to be inadequate to curb and to prevent the

acquisition of powers by which one man or a few men could paralyze the nation's commerce, I feel it may be necessary to place such unions under the antitrust laws.

We hope that will not be necessary, but this country cannot permit such tremendous powers to repose in the leadership or in the person of any individual.

Actually, this bill does not direct itself at this matter of association of unions, does it?

No, it does not. But if they persist in the attempt to concentrate such powers, then I say it may be necessary for the Congress to legislate accordingly. END

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IN THE FUTURE cities may be able to avoid the problems that harass them today.

This does not mean that making cities more livable will be easy. Slums, traffic congestion, air pollution, high taxes, and other present problems must be faced and solved. But, in solving them, we can avoid those actions that would tend to bring new and bigger headaches in the future.

Part of our present city problems are due to the fact that we have always underestimated city growth. We did not recognize changes as they occurred. City problems of the future may result because we overestimate today for the same reason.

We talk about an urban growth

that will make the entire East Coast, from Portland, Maine, to Norfolk, Va., one vast city. Similar cities, running from Pennsylvania to Cleveland, linking Chicago to St. Louis, and extending along the West Coast have been predicted. Giant cities have been translated as giant problems. Study of the facts suggests that such giants need not be feared in our time.

It is easy to see how such fears came into being. The number of urban households grew by 300,000 a year from 1930 to 1940, by 500,000 a year from 1941 to 1947 and one million a year from 1947 to 1950. The total number of households grew by 500,000 a year in the '30's, by 600,000 annually from 1940

to 1947 and 1.5 million a year from 1947 to 1950. Project that rise in the rate and in no time the entire country is one big city.

But there are reasons why what has happened in the past need not continue to happen.

We can save ourselves future trouble, then, by considering:

How fast are cities likely to grow?

What changes in land use will result?

What traffic and other problems will this create?

What kind of city government will the new cities require?

Growth

Recent expansion of cities has come basically from three causes,



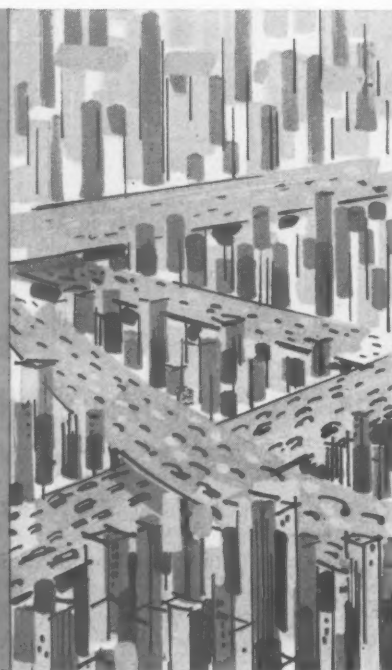
UNDERESTIMATING

growth caused
cities' troubles
in the past



OVERESTIMATING

growth could cause
cities' troubles
in the future



AIR FORCE PHOTOGRAPH

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The men behind the memory are talented people with a 'winning team complex.' Ampex has 500 scientists and engineers developing new uses for its products. 75% of sales are new instruments that didn't exist four years ago, among them the new TV marvel, the Videotape* television recorder that puts a show on tape and plays it back, immediately. To protect its properties and its future, Ampex turned to INA, the pioneer in insurance.

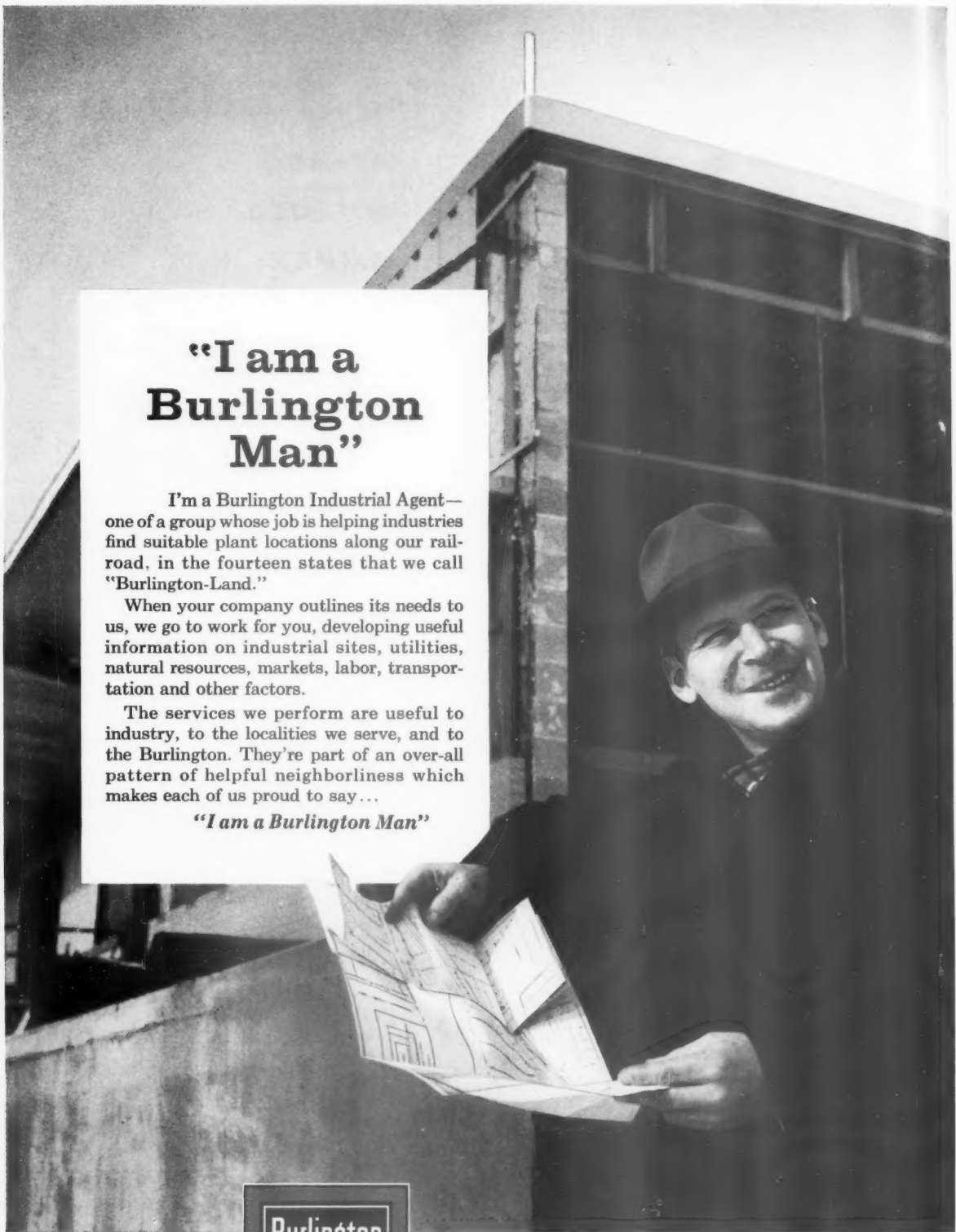
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CITY PLANS

continued

none of which is likely to exert similar pressure in the future.

First, nearly 15 per cent of the increase in urban population has been due to migration from farms.

The number of farms has dropped to about 4.6 million. These farms are no longer an inexhaustible source for future migration. Within the next decade or so migration from the farms may be cut appreciably. Many families may stay on the farm even though a good proportion of their income is derived from nonfarm sources.

Second, deaths are increasing faster than marriages. Until 1956 marriages exceeded deaths. The number of deaths thus far in 1959 has been 40 per cent greater than the number of marriages. Households now are being broken up at increasingly fast rates. While the entrance rate stays high, the exit rate continues to grow.

Third, the demand for space per person is increasing more slowly. Single people began to occupy their own quarters in large numbers after World War II. Older people, who previously moved in with their children were able to maintain their own quarters as pensions and social security benefits increased. This, too, added to the demand for space. From 1950 to 1955 the increase in

the number of housing units occupied by other than married couples almost equaled the increase in the number of homes occupied by married couples. This surge in demand has passed its peak.

With these three pressures lessened, it seems likely that the rate of urban explosion that was experienced from 1947 to 1950 may not be experienced again until 1980 or later. The combination of war-induced pressures, and of changed standards of living brought about by high employment, caused a revolution in living standards. From now on, progress may be more evolutionary than revolutionary. The explosions of a decade ago are being replaced by a slower but healthy, steady progress.

Land

Allowing for these changes in past pressures, we may expect the nonfarm population to grow at about two per cent per year. These people would need about one million acres per year for homes and possibly another million for other purposes, such as highways, schools, churches and commercial ventures.

This diversion of roughly two million acres a year to nonfarm usage should cause no concern. Farm acres properly operated can now support one person per acre. In ten years three acres may be supporting about four people. This increase in productivity is adding the equivalent

of 17.5 million acres a year to our farm area. But the growth in the population requires an addition of only about 4.5 million acres a year for food purposes. Adding this to the two million acres per year the urban people will need, we get a total requirement of about 6.5 million acres a year. Subtracting this 6.5 million acres from the 17.5 million acres added annually suggests that we are continuing to add 11 million acres of farm capacity to our already surplus figure of 45 million acres.

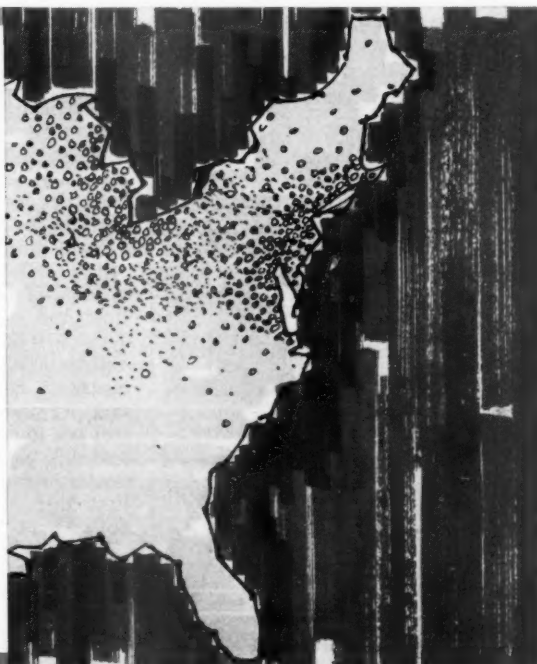
We need not fear the diversion of land from farm to nonfarm uses, particularly when that diversion increases income and standards of living.

The new cities

Cities have grown because they provided an environment in which manufacturing could proceed relatively efficiently, and one which was conducive to the service industries. The nature of future growth will depend largely on what happens to these industries.

In manufacturing, the productivity of the machine is increasing. The number of production workers has, therefore, been declining for several years. It is about 12 million now compared with more than 14 million in 1953. Even if the output per production worker rises only half as much per year between now and 1970 as it has in the past six

PAST URBAN GROWTH has been in high gear. If continued, supercities would soon cover nation. But future urban growth will be in low gear



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CITY PLANS

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years, employment of production workers would show no net gain.

Manufacturing industries, then, will need no more space per unit of goods produced. They will need more space for each individual production worker, more office space for supervisory, policy and nonoperating staff, and more parking areas.

On the other hand, service industries have grown from employing roughly 14 million in 1919 to employing more than 32 million now. The amount of space needed in and around cities for service workers may be expected to expand in the future.

White-collar workers may reach 45.5 per cent in 1970. This will probably mean 21 million employees with desks.

The increased output per white-collar worker is a result, in part, of an increasing investment per worker. This tends to mean more space per worker.

This would seem to mean a bigger volume of commercial construction for the next decade. This construction will also require more parking space per worker than was required in the past decade.

This sort of growth, however, does not mean much increase in downtown space requirements. It does suggest growing space requirements in the suburbs. The occupied floor space in the centers of most large cities has not been growing.

Most of the services cities perform can also be performed in the suburbs. Because most of the manufacturing of the future, in general, will be cleaner, quieter and will not require the huge aggregations of employment that were common in the '20's, it, too, will tend to be dispersed in smaller towns or the suburbs of larger cities. This will permit a cellular growth of suburbs. Groups of manufacturing, distribution, and professional services can develop. These centers can be nearly autonomous. They will rely on the center of cities for general control and for certain specialties. They will get much of their raw material and ship much of their physical production from and to other communities. But new manufacturing will not be centered in one part of town with new distribution, production, service and residential areas sharply delineated. The European concept of intermixing industry, trade and residential areas will come to be accepted more here.

The distance, in terms of time and possibly even in terms of space, between work and home can be cut, and yet the home can be in a neighborhood of single-family houses, or of attractive apartments with ample grounds. This development will match the change in the family patterns.

With more young families without children or with only young children, and with more elderly families without children, suburbs readily accessible to places of employment will be more attractive than distant exurbia.

Government

These growing suburbs and cities will interlock. It will be increasingly difficult to maintain separate sewer systems, or water systems, separate street maintenance crews, or even separate police departments for small political entities.

This fact is already being accepted. Some metropolitan communities, such as Cleveland, have already put some of their utilities, such as sewer and water, under common management.

Metropolitan communities of the future will tend to have increasing amounts of technical services handled by a common technical staff. But social services such as schools, hospitals, and even some police work may continue to be decentralized. Local opinion can be important in handling social problems such as schools and cultural and recreational facilities.

The fear that traffic congestion will become unbearable in growing cities is another result of mistakes in projecting past trends. When we had to rely on mass transportation, industry had to be centrally located. As we moved from mass to individual transportation, workers continued to travel to areas where employment had been located. Now production and distribution facilities are being scattered more widely and in smaller packages. Traffic to work has not increased greatly by this process because the distance between the home and employment does not have to rise as workers move to suburbs.

The increased transportation is served by the 30,000 miles of local and the 6,000 miles of arterial roads being added each year. This relieves pressure on traffic to downtown areas, and in time, as the urban portion of the interstate highway program approaches completion, it will be easier to get downtown. Only business which can be economically justified downtown will

remain there, and traffic facilities can be made adequate for it.

City planners eye the future with fear also because past growth has created slums. This has happened in part because city planners could not foresee the vast increase in standards of living and wants and the development of the automobile. These two developments made many of the buildings and much of the structure of the city of 1920 obsolete and unwanted. It took a long time to organize governments and business to face this new high-income, mobile economy. But this situation is being faced now. Interstate highway systems, regional development organizations, metropolitan authorities, and other developments are witness of this recognition. The unfortunate developments of the past do not have to be repeated, and many of them may not be repeated in the future. City planning for the future is evolving more around transportation facilities than the city planning of the recent past. Highway officials now have funds and experience. This makes it possible for officials to be more effective in directing the urban growth of the future. They will create fewer slums than were allowed by past procedures.

This does not mean that making these cities more livable will be easy. There are still many problems which were not and could not be solved 10, 20, or 30 years ago.

But these problems are being attacked. More and more urban responsibilities are being given to civil service technicians. Corruption and local favors are less and less effective means of maintaining political machines in power. Intense interest in school problems, for instance, has helped alert citizens to the need for political action, and for methods for solving other political problems.

The fact that cities are creatures of states and that most states are rural minded contributes to the difficulties. Few major city problems can be solved unless state governments delegate adequate authority. The failure to do this has been a major reason why cities have turned to the federal government. But as the proportion of farm population drops and the urban population grows, metropolitan jurisdictions will get increased authority as well as responsibility.

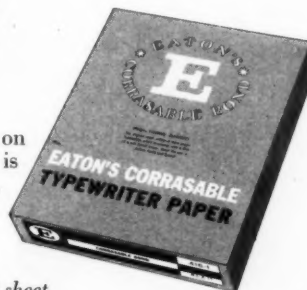
Future growth may, therefore, be less difficult to handle than has been suggested. It is something we can and probably will be able to take in stride.—ROBINSON NEWCOMB

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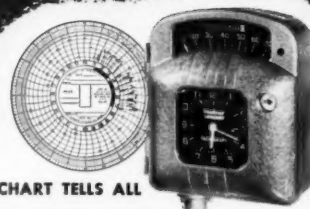
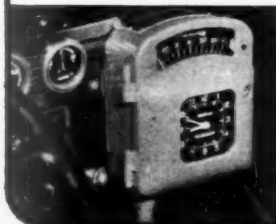


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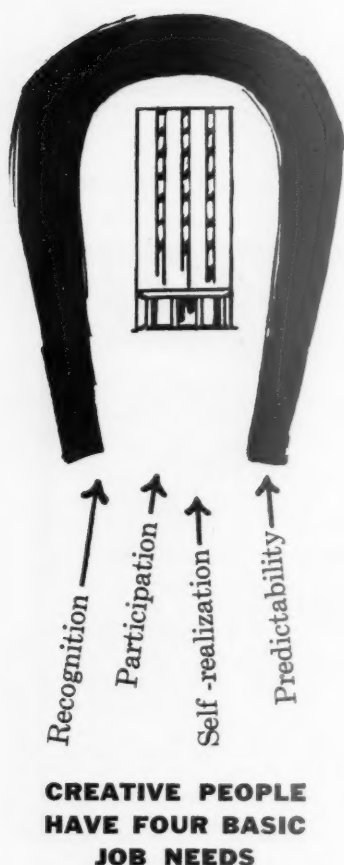


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To help solve this problem, Dr. Simon Marcson suggests as a starting point understanding of the difference between what he calls "colleague authority" and "executive authority." A sociologist who has served as a consultant to industry, the federal government, and the United Nations, Dr. Marcson is the director of a study of high-talent manpower utilization being made by Princeton University's Industrial Relations Section.

Here are some of the findings:

Executive authority is associated with the traditional business organization. Here the boss has complete authority. He gives orders without being expected to defer to the opinions of subordinates unless he chooses to do so. In this system, a man's power and rank give him prestige and are assumed to be directly related to his ability.

Colleague authority is found in its purest form in colleges and universities, where authority rests in the group rather than in an individual. Persons of unequal status participate in reaching decisions together as though they were of equal rank. Prestige depends upon a man's achievements as judged by his colleagues and carries no power of command.

An engineer, scientist or other high-talent worker is geared by his training and professional goals to a system of colleague authority. He adapts himself reluctantly to the atmosphere of executive authority in an industrial firm.

Corporations can take two steps to achieve a climate which will encourage peak performance by their high-talent personnel and aid in recruiting top college graduates:

1. Recognize the professional needs of such employees.
2. Set up special arrangements to handle their personnel problems.

"To a large extent, corporations still don't realize that, when they acquire large numbers of professionals, they have on their hands a different kind of employee with a different set of problems," Dr. Marcson says. "If you treat a professional person no differently from an hourly

wage worker, you are going to affect his enthusiasm, his motivation and his interest in staying on the job. He may express his discontent by behavior which company officials regard as peculiar or disloyal."

The personnel department of a large engineering firm ruled that employees could not wear shorts in the summer. Dozens of the company's engineers immediately grew beards; some came to work in brightly colored sport shirts. Others made a point of wearing shorts.

Such incidents can grow into a cold war between management and its professional employees. Approximately 12 per cent of this country's engineers have already joined unions.

Professional employees organize to protest and consolidate their defense when they see their professional status and independence threatened. Their aim in organizing is often more to defend their self-esteem than to gain economic ends.

The goals of the corporation and the goals of the professional worker are basically different. The corporation aims at earning a profit and improving its competitive position and prestige. The professional seeks to advance himself and gain recognition within his profession.

Management must persuade the professional that these goals are nevertheless interrelated—that the continued success of the company makes it possible for him to pursue his own goals within its structure.

Contributing to the conflict and stress is the fact that the high-talent worker finds that, in an industrial organization, promotion is based primarily on managerial skills rather than accomplishment in a professional specialty. If he advances on the managerial ladder, he is moving away from the practice of his profession and his original goals.

The basic causes of the gulf between a corporation and its high-talent personnel are the conflict between the systems of executive and colleague authority; the difference in values, goals and needs of the two parties; and the formalization and rigidity which the corporate structure frequently introduces into the relationship.

Once the differences in the aims of management and of high-talent workers are recognized, they can be coordinated on a practical basis and a compromise satisfactory to both can be reached.

In part, this will involve a shift by the corporation toward colleague authority in handling its professional employees and acceptance by the professionals of some aspects of the executive authority system. Industry already, by trial and error, has introduced such benefits of colleague authority as permission for its professional workers to publish scientific papers and attend professional meetings.

Recognition of professional qualities

High-talent employees have four fundamental needs which arise out of their professional training and goals: recognition, participation in decisions concerning their work, self-realization, and predictability in work and career.

The extent to which a corporation is able to satisfy these needs is the extent to which its high-talent personnel will be motivated to work at peak capacity. It is also a measure of the amount of magnetism a firm will exert in attracting and holding distinguished professionals and top college graduates.

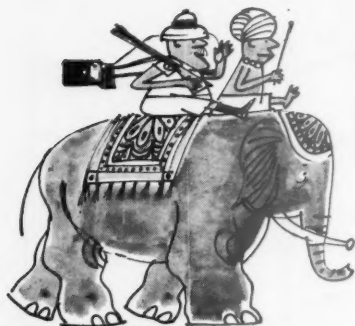
In meeting these professional needs, a corporation will not endanger its basic purpose of utilizing high-talent personnel to improve its products and develop new products. Rather it will advance this aim by



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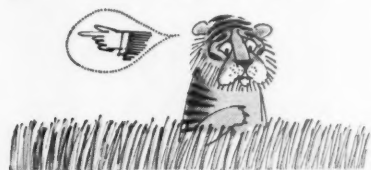
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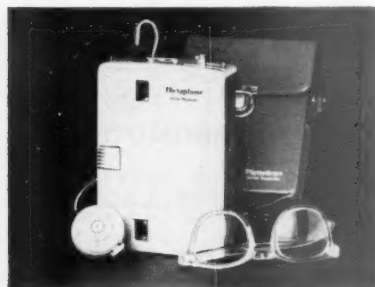
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NEW WAY TO ATTRACT BRAIN POWER *cont'd*

boosting both the performance and the quality of professional workers.

Recognition is of crucial importance to the high-talent worker because, in the last analysis, he regards his achievements as subject only to the judgment of his peers. "He doesn't fight for recognition because of egotism or some personal peculiarity," Dr. Marcson says. "It is his reason for being—a matter of professional life or death."

Unfortunately, the recognition system in a corporation frequently puts the scientist or engineer near the bottom of the totem pole. The laboratory building of an eastern industrial firm has a wing which holds the administrative offices. This wing is air conditioned and the administrators have well furnished private offices with secretaries outside.

The remainder of the building is not air conditioned. Here the technical staff, some of them top scientists, are crowded together two or three to a room packed with equipment, work benches and desks.

To the research men, the core and major function of the laboratory is research. The conclusion they draw from a comparison of quarters, however, is that the corporation prizes administration more highly than research achievement.

The fact that promotion is industry's traditional mechanism for conferring recognition raises another problem. Promotion within a laboratory removes the recipient from active research as he moves into administration. The corporation loses a good research scientist and may not gain a good administrator.

Some firms have met this dilemma by adopting a parallel ladder of promotion for the professional worker. Titles such as "fellow" and "senior scientist" have been created and salary scales established which enable a top scientist to rise to the pay level of the laboratory director and still remain in active research.

The parallel system enables the professional to see success in terms of advancement within the corporation rather than solely in his profession.

Participation in decisions concerning their work is also a strong motivating factor for high-talent employees. Traditionally, a professional person decides himself what he must do and how he will do it. In a corporation, however, he faces assignments made by his superiors. His instinct is to resist to avoid losing his professional prerogatives.

To have the cooperation of the high-talent employee in meeting its own goals and needs, management must use indirect manipulation, avoiding the appearance of direct assignment. Such control is complex.

For example, a laboratory director who needs a certain job done might call in one of his research scientists and use this approach:

"I'm faced with this problem. Here are the facts and these are the possibilities. I need someone with your particular gifts to solve it. I know you're involved in another project, but I'd like to get your reactions. Would you be interested in taking a couple of weeks to think about it and give me the conclusions you reach?"

Here, although the scientist is given the opportunity to make up his own mind on whether to take over the project, etiquette requires that he accept the responsibility if at all possible. If he feels he must refuse, there should be no retribution and the laboratory director simply puts the question to another man.

A corporation which permits some of its top scientists to engage in unrestricted basic research gets advantages entirely apart from whatever discoveries may result. Basic research adds to a firm's prestige in the scientific world and makes it easier to get and hold scientists who would not be attracted by anything less than complete autonomy.

The company thus acquires a corps of distinguished consultants in its own laboratory. It also provides a pinnacle within the corporation toward which other members of the laboratory staff may aspire—com-



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NEW WAY TO ATTRACT BRAIN POWER *cont'd*

plete freedom in research as a reward for outstanding accomplishment.

Self-realization. Since professional achievement and reputation are the chief stock-in-trade of the high-talent worker, he requires an opportunity to use his training to satisfy his own aspirations and enhance his professional status.

The ability to publish his findings in scholarly journals is a fundamental need. Publication should be treated by a company so that the researcher regards it as the recognition by management of a right rather than the granting of a privilege. Attendance at professional meetings is another means of self-realization.

Predictability. An industrial firm lacks the tenure system of a university, so professional workers should be assured of predictability in their work and career. Abrupt changes should be avoided.

A wise manager will infuse his high-talent subordinates with the feeling that no one will be fired without extreme cause—that they will hold their jobs regardless of the whims of the boss, office intrigue, personal competition, personality conflicts and other nonprofessional hazards.

Special handling of professional personnel

Acting on Dr. Marcson's findings, Radio Corporation of America is currently setting up a special office to take care of all personnel matters affecting its engineering and scientific employees. This responsibility will be removed from RCA's general personnel office and given to a man who will serve directly under the vice president in charge of engineering and research.

Professional workers can be handled best by persons who understand them and are familiar with their needs and problems. It makes little difference whether such responsibility is delegated to a group within the personnel department or a separate unit is established if it is given to qualified officials as their principal job. In a small firm the responsibility might be exercised by one man.

Such a unit can inaugurate a system of classification, salary administration, organizational structure and achievement awards appropriate to the requirements of high-talent personnel. In addition, it can aid these workers in the development of their careers through such channels as graduate work, preparation of scientific papers and attendance at seminars and professional meetings.

The organizational rigidity which poses barriers to better utilization of high-talent workers must be reduced. Regular dinner meetings of key people in the laboratory and the product divisions of a company would help make each aware of the other's problems and needs. Or several willing researchers might be appointed to act as liaison with the various product divisions to provide more effective communication.

Dr. Marcson predicts that managers of high-talent workers will increasingly seek training for themselves in industrial relations, social psychology, economics and sociology. He anticipates that more and more social scientists will be acquired to take over managerial staff work in this field.

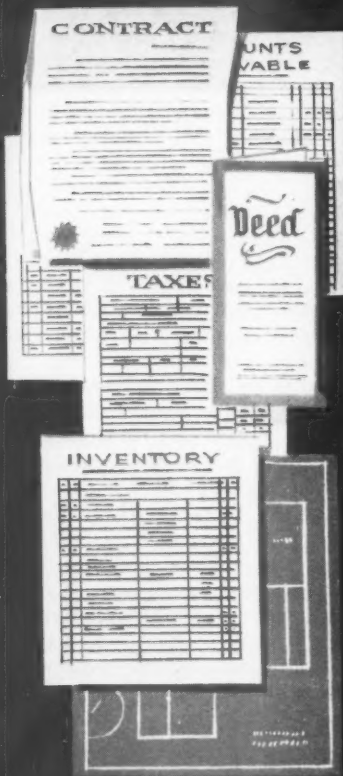
If industry becomes a place where high-talent employees can achieve professional fulfillment while advancing industrial development, it will find that it has a ready supply of recruits. And, as Dr. Marcson concludes:

"The future economic development of the United States will depend upon industry's success in attracting adequate numbers of high-talent workers."

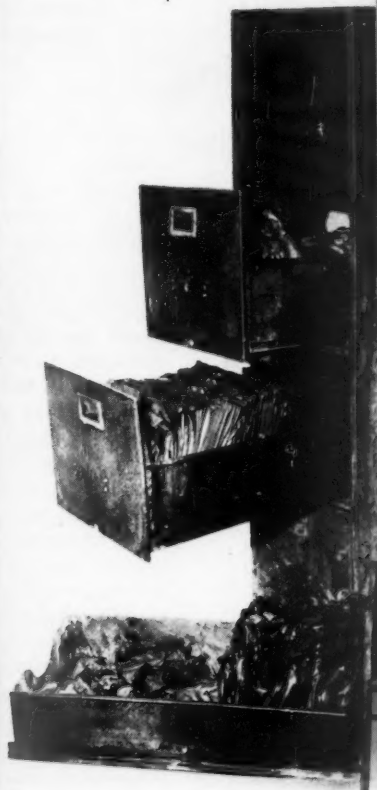
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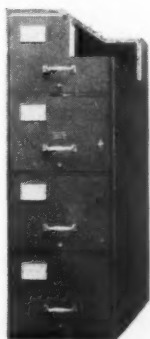
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Where to find action-getters



Three basic steps lead to filling the need for men with initiative

MANAGEMENT'S NEED for men with the old-fashioned trait of initiative is growing every day. The ability to provide one's own leadership rather than having to wait for someone else to provide it can mean the difference between success and failure.

Finding or developing such self-starters is difficult, but, so long as the need for initiative is recognized, the difficulties need not be insurmountable. While the details will naturally vary from company to company, they will generally incorporate these three basic steps:

- Organize a search.
- Learn to identify latent initiative.
- Make the company attractive to enterprising men.

Organize a search

Many companies are still gearing their personnel-searching habits to a buyer's market for talent that disappeared years ago. The woods are no longer full of good employment prospects; instead, they're full of professional recruiters and talent-hungry personnel men. To be fully realistic about the prospects of meeting your company's needs for enterprising men, you'll have to face the fact that your needs will probably always exceed the supply. This means planning and budgeting for a permanent search.

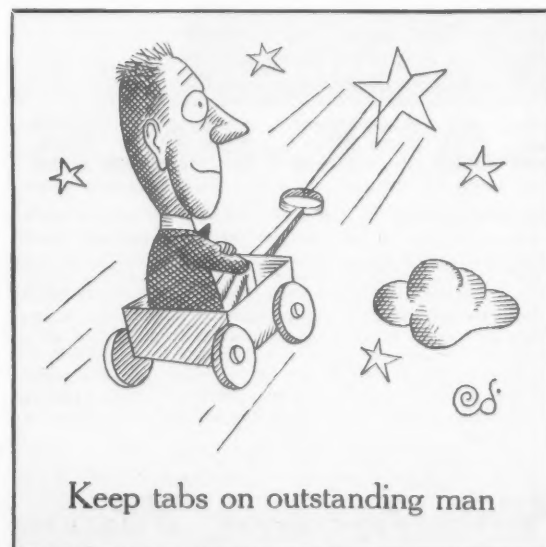
The hunt for men with initiative can't succeed if it's carried out in a haphazard way. Too often, a large-scale search is launched as the result of a crisis, and then lags after the initial sense of urgency is lost. The quest for action-minded, independent men has to be carefully organized. Since it's easier to recognize an established record of initiative than to detect it before it's had a chance to develop, many companies keep tabs on outstanding men in their industry, building up what amounts to a "Who's Who" of top talent.

Men with potential but unrecognized initiative don't necessarily wait for an employer to seek them out. If such a man becomes convinced that your company offers a good opportunity to him, he may come to you directly to sound out his prospects. To en-

courage this possibility, it's a good idea to integrate your personnel search with your public relations program. Let people know that men with ideas and ambition are welcome in your company. Your reputation can be the best initiative-finder you've got—or, if you neglect it, it can deter the right kind of man from approaching you at all.

Because initiative is likely to crop up almost anywhere, it's a mistake to keep looking for it in the same places. Many companies are unconsciously biased in favor of certain recruiting sources, such as a particular college or one of the military services. This means, in effect, that they cut themselves off from equally good or better sources with which they don't happen to be familiar.

Most narrow-gauge recruiting programs are simply due to habit, rather than prejudice. But, particularly



when you are seeking a quality so scarce as initiative, habitual sources are not likely to be able to fill the bill by themselves.

Men from unlikely sources, or indeed any person who may have been judged as below par for one reason or another, may deserve a second look. The potentiality for initiative isn't always obvious, so even the smallest hint of it may be worth following up. Most personnel evaluation specialists will tell you that tests, interviews and the other tools of their trade are more proficient at eliminating the potential failure than at spotlighting the potential success.

In general, it pays to look as deeply as possible at as many candidates as possible when you are trying to find people who are capable of exercising initiative.

People with a demonstrated record of initiative are not only rare, but tend to have secure jobs with firms that appreciate them and pay them accordingly. They are hard to lure away. This means that if the search for self-starters is to be productive, it must also be directed toward men in whom this trait has not yet blossomed. In fact, this is the richest source of men with initiative, since there is much less competition for someone's services before he starts to show this quality than there will be later.

Recognizing latent initiative

Distinguishing the man with latent initiative from the man who has none can be difficult. There are, however, a few clues which will often be useful.

Many people who are lightly dismissed as misfits may be worth their weight in gold. Remember that people who don't need to be told what to do or when to do it tend to be impatient and to ignore regulations. The line between initiative and insubordination is, at times, very fine. But executives sometimes lump the two together and reject both.

The truly enterprising man is not actually a rebel against regulations; but he does consider them to be only rough guides rather than unbreakable rules. He insists on the right to interpret them in the light of circumstances. On the other hand, the chronic malcontent fights against rules regardless of whether they apply to circumstances or not. A close inquiry into the facts will usually indicate which kind of man one is dealing with.

Sometimes initiative will start to show up in small ways early in life. Watch for people with a history of doing more than was required in school or at work. A refusal to take the easy path of doing just enough to get by could be the first sign of a strong potentiality for displaying initiative in business. Frequently these extra efforts will not be well known to others, because these people tend to exert themselves for the sheer joy of accomplishment and may not care whether other people realize what they are doing.

In a similar vein, be on the lookout for the man who has shown a compulsion to excel in something (it does not matter whether it was a sport, a hobby, or an academic subject). This is particularly important when the activity does not come naturally to the person, but requires special effort. People in whom initiative is strong like to pit themselves against a



Search for self-starter

tough challenge, and will seek out such a challenge when life does not present them with one. Stutterers who force themselves to become fluent speakers, or frail children who turn themselves into expert athletes, are examples of this kind of challenge-seeking.

Another clue to potential initiative is a tendency to be unentertainable. Pay extra attention to people who ignore the usual diversions because they cannot be happy unless they're doing something creative. Sometimes such a person is considered odd or too serious. Actually, he is likely to be a producer, rather than a consumer, of ideas. His willingness to go his own way on his own time is a hopeful indication of willingness to take prompt action while on the job.

Frequently, of course, these clues will lead to the off-beat types from whom, unfortunately, the self-starters are sometimes hard to distinguish. Professional advice can often help in determining whether somebody's nonconformity is due to an independent mind or to eccentricity.

All the emphasis must not be placed solely on finding the right people. Nobody is so right that he can turn in a consistently high-level performance in an atmosphere that he finds stifling or dull. What's more, men with initiative have some special tastes of their own with regard to working atmospheres. They find it easier to hit their stride in some kinds of companies than in others.

Attract enterprising men

People with minds of their own like to be treated as such. Failure to treat them so has cost many a company the services of an outstanding individual. Companies that want to attract and hold men with initiative are becoming increasingly aware of the advantages of granting special privileges to special people. This is particularly true of lifting restrictions that tend to annoy independent-minded people.

Having to punch time clocks, or to fill out detailed,

ACTION-GETTERS *continued*

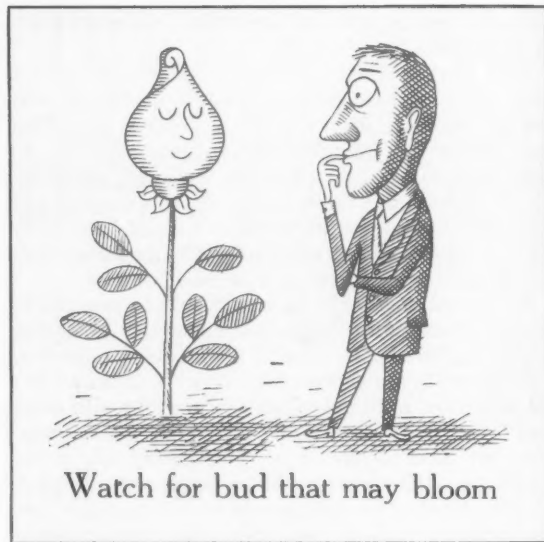
repetitive forms, are two kinds of routine which irk this kind of person and give him the feeling that he is being regimented. He is not likely to abuse his privilege if the restriction is removed, since he is primarily after freedom of movement rather than a prestige symbol. As a result, the man with real initiative has plenty of built-in discipline of his own and does not need external rules to keep him in line.

Just by the law of averages, some actions that people take on their own initiative will not work out successfully. Unless a mistake was plainly due to poor judgment, it would be a more serious mistake to let the ax fall on the man who made it. Making initiative unsafe is a good way to squelch it altogether. If a man can be trusted to use his own judgment in the first place, he can be allowed his quota of mistakes. These will usually be more than repaid by his successes.

Men with initiative are motivated by several different goals, although as a rule these will involve freedom from restrictions and the authority to implement their own ideas. In any event, it pays to study each such individual to get a closer idea of what kind of emotional rewards he wants from his work—and then, if possible, give them to him. One man may want wealth; another, fame; a third, the power to get things done the way he wants to do them. The company that tries to give its self-starters as much of their main desires as it can, will usually enjoy high morale and loyalty in return.

One motive that is common among other groups may be relatively lacking among the high-initiative group: the need for security.

For the most part these people neither want nor need to have their security guaranteed by any external source. They carry their own security in the form of self-assurance. What's more, they are frequently unwilling to pay the price of patience and submission that many organizations demand in exchange for insuring continued employment.



In fact, de-emphasizing the security aspect of a job when recruiting for people with strong initiative can accomplish a double purpose: The company is likely to seem more attractive to such people because of the lessened emphasis on conformity; and many half-hearted candidates will be discouraged from pressing their applications.

When a good man leaves the company, make sure he knows he'd be welcomed back—and remind him of this occasionally. If he had any complaints, look into them and correct them if possible. Incidentally, it's not at all unlikely that his complaints may involve his superiors. This can lead to a delicate situation. Even so you'll want to satisfy yourself that no one is actually blocking a constructively zealous subordinate. This strangles the company's future.

Other steps can be taken to help with this problem, steps that go outside the company to the broader area of the community at large. Businessmen are taking an interest in the schools, and particularly in the provisions for developing exceptional talent. Also, there is an awakening interest in people in all walks of life who are trying to accomplish something under their own steam. Initiative is gradually being tagged with prestige.

None of these measures will work miracles, but miracles are not needed. All that is really needed for business to solve the initiative shortage is an all-out effort to bring out the best in the best people. Even a little initiative can go a long way. But it is not likely to endure indefinitely in companies that make no organized plans for finding, developing and preserving it.—**DR. SAUL GELLERMAN**
Consulting Psychologist

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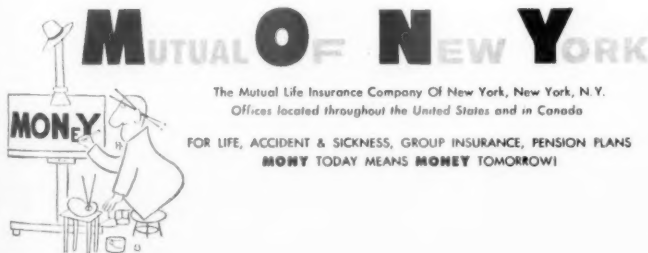
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Civilian spending would soon exceed reduction in defense outlays

WHAT PEACE WOULD DO TO YOU

Quick and important changes could be expected if defense spending were cut

ANY ABRUPT SOFTENING of cold war pressures—if it comes—can bring this country a boom, not the recession suggested by such phrases as “peace scare.”

It will bring changes likely to affect your business. The principal changes you should expect are:

A rise in consumer spending far surpassing the cut in military spending and concentrated on such things as houses, automobiles, furniture and household appliances.

A terrific upsurge in spending for new plants and equipment.

Larger incomes for everybody to spend and invest.

A higher standard of living.

Lower taxes.

A larger labor force.

Increased pressure for federal aid of various kinds.

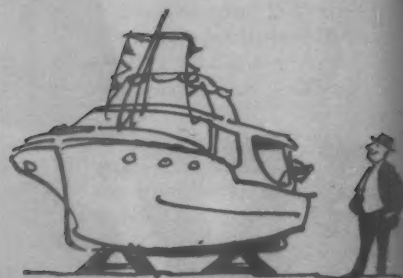
A temporary threat of inflation which can be readily countered.

Some industries and individuals would be hurt temporarily. Soon these industries and all the rest of us would be wondering how we

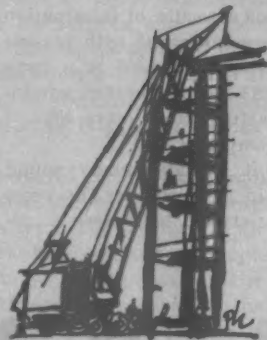
FIRST YEAR



Tax cut would mean a windfall increase for every consumer



Rise in per capita incomes would change buying habits



Shift in market demands would require major new investment

SECOND YEAR



Cut in corporate taxes would release money for dividends

Consumer rush to market would bring inflationary pressures that could be easily handled



In long run, economy could grow faster with low spending for defense

ever paid such high taxes and denied ourselves so many of the benefits our productive capacity makes possible.

Those who feel that the present \$46 billion of spending for national security is a necessary prop to the economy overlook the fact that this expenditure is a pressure as well as a stimulant.

They also forget that people tend to dream of what they would like to buy long before they buy it. Studies by the University of Michigan, among others, have shown that aspirations grow with income. A family with \$4,000 to spend has less ambitious dreams than a family with \$10,000. But, if a windfall drops unexpected money in its lap, either family is likely to be in the market for houses, automobiles, home furnishings and household appliances almost at once.

The question then becomes: How quickly and to what extent would consumer buying take up the slack left by reduced military spending?

The answer is:

Probably in one year—certainly in two—the economy would be stronger than ever.

What has happened after previous cuts in military spending supports this prediction:

In 1919 military spending was \$18 billion—more than 20 per cent of all business done that year. These expenditures dropped to \$6.5 billion in 1920 and to about \$5 billion in 1921. But total spending dropped less than five per cent in constant dollars in 1920, nine per cent more in 1921. By 1922 the economy was back to the 1919 level; in 1923 it was 10 per cent higher.

After World War II, defense spending was cut 90 per cent or \$145 billion (in 1958 dollars), but total business dropped only 13 per cent in 1945, unemployment never went above four per cent, and recovery came as quickly as in 1919.

After Korea, defense spending dropped 25 per cent, but the total volume of business done dropped less than two per cent from 1953 to 1954 and by 1955 business was six per cent above previous peaks.

In all these cases consumer shortages and inadequate factory capacity helped hurry the upturn. Today industry has nearly adequate capacity in most lines and consumers are well stocked. Standards of living are high. The need to spend is less urgent than after a war period.

To estimate how much these changes would delay an upturn in consumer spending to fill the void left by a defense cutback, we must assume the answers to some questions:

- ▶ How much will defense spending be cut?
- ▶ Will the cut come suddenly or gradually?
- ▶ How quickly will taxes be cut and how?
- ▶ Will the cut come in a period of boom or recession?

How much cut? Even assuming the end of the cold war, we would not stop all defense spending. A reasonable first step would be to reduce our offensive forces. We could cut back outlays on manned bombers, on atomic submarines, on foreign bases, and reduce the size of the armed forces.

We might maintain our defense establishment and continue work on

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PEACE

continued

missiles because of the value of the research and as a deterrent to attack. Such a program might cut spending in half, or by \$23 billion a year.

How quick the cut? It would take a lot of persuading to convince the government that such a cut should be made abruptly. Precautions, both military and economic, would suggest that it should be spread over two years at least.

Tax cuts? All of this money would not be returned to the people. Some would undoubtedly be used to give additional support to present activities—highways, for instance. More would be siphoned off as pressure groups convinced Congress that it should give more money to projects already undertaken or to new ones. Assuming that these groups should win \$3 billion for their pet schemes, a tax cut of \$20 billion would still be possible.

If the cut in defense spending were spread over two years, this would mean, roughly, that taxes could be reduced \$10 billion the first year and an additional \$10 billion the second.

The first cut might logically be spread proportionately through all the brackets of the personal income tax. The second might be divided equally between personal and corporation levies.

State of economy? Merely to make the situation tougher, we will assume that this happens in a period of recession and that over the two-year period reduction of the military establishment will add 500,000 men each year to the labor force.

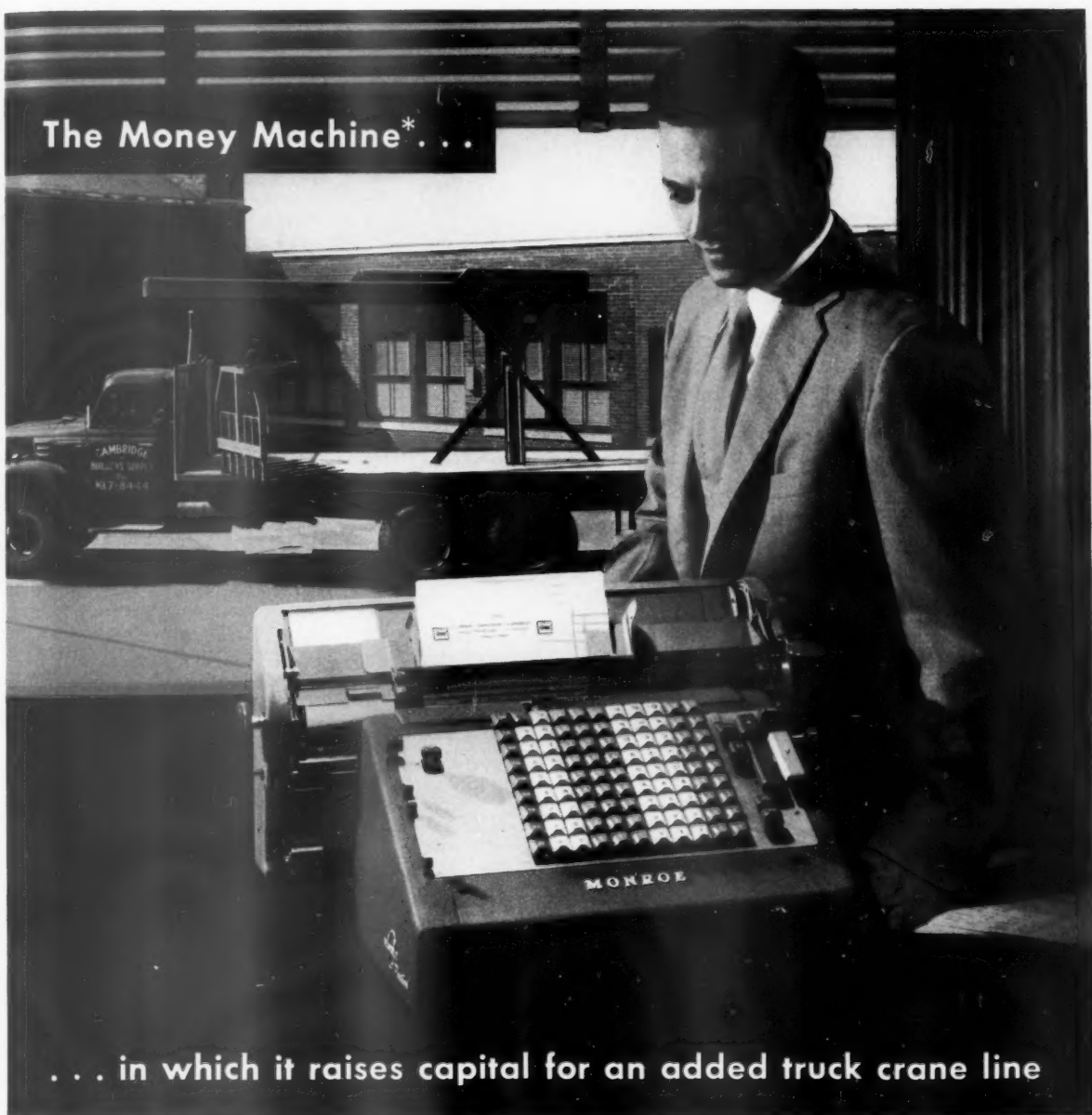
With these assumptions in mind, let's now consider what can be expected in each of these two years.

The first year

Personal income in this country has been increasing at the rate of about three per cent a year. Within a few years it is expected to reach \$415 billion. Of this, federal income taxes at present rates would take \$55 billion, leaving spendable income of \$360 billion. A tax cut of \$10 billion would almost double the anticipated income increase for that year. The number of households with disposable incomes under \$5,000 a year would drop by more than 400,000. Those with incomes of \$5,000 to \$7,000 would increase about 500,000.

So long as all consumer wants are not satisfied, this kind of jackpot

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PEACE

continued

is going to lead people to the market place.

Even when incomes are falling, people tend to maintain certain purchases. Outlays for tobacco, more expensive foods, clothes and personal care increased from 1957 to 1958. Outlays for automobiles and houses declined.

But a rise in per capita income changes buying habits.

Such a change has an impact on total business far exceeding the amount of the income rise. The reason, often overlooked, is simple.

Suppose the American people cut their purchases of automobiles from around \$15 billion a year to \$7 billion but stepped up their purchases of private airplanes and motor boats by \$8 billion. That is, no change in total spending, only in how the money is spent.

Producers of airplanes and motor boats would have to expand production tremendously. Auto firms, meanwhile, would reduce their expansion of plant capacity but they would continue to spend for things that would increase production efficiency or add to market appeal. They would also change some of their capacity to meet the new consumer demand. They would reduce total investment only a little.

The building of factories, the production and installation of equipment to handle an \$8 billion increase in motor boats and airplanes would require a far greater outlay than would have been required had auto sales continued their former rate. Any important shift in market demands, whether by industry or consumers, usually requires major new investment which creates additional employment. This, in turn, causes additional consumer purchases and employment.

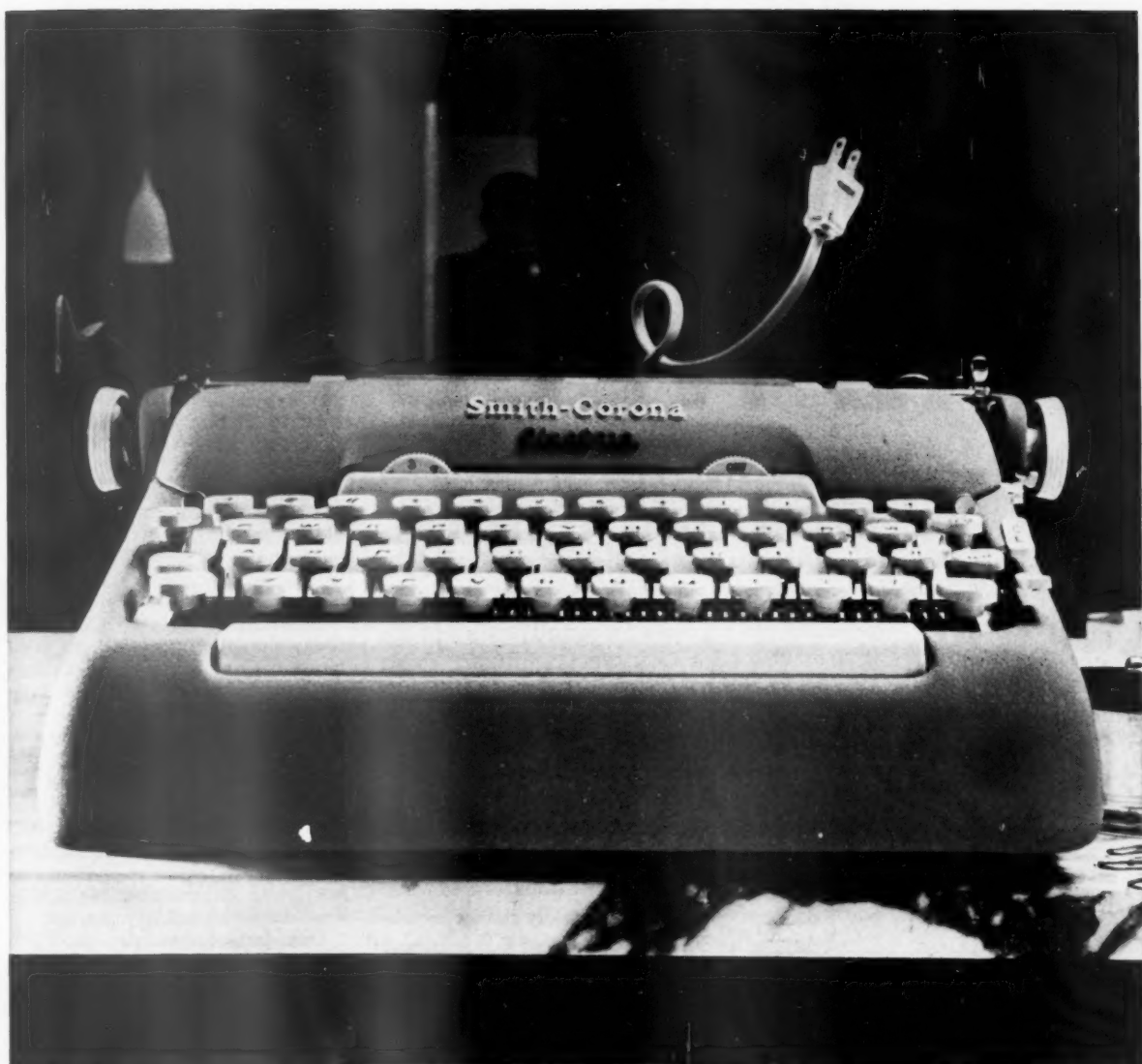
The fact that the shift would be from military hardware to consumer goods may accentuate the result. Certainly it does not change it.

The second year

Assuming that the second year's \$10 billion tax cut were divided equally between individuals and corporations, each would retain about \$5 billion. This would represent, under present rates, a corporate tax cut of about 20 per cent.

Disposable income of individuals would rise by two or three per cent, encouraging further consumption.

The cut in corporate taxes would



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PEACE *continued*

release money for dividends and for additional plant to meet increased sales. It would encourage further investment in industry. The additional personal and corporate income generated by this business would help absorb the 500,000 men released from the armed forces and would increase federal revenues.

Even with the \$3 billion increase in nondefense spending that we have accepted as possible, the government should have a surplus.

Whether the predictable consumer rush to market would feed an inflationary boom would depend on how well plant expansion kept abreast of increasing demand.

It is enough at this point to conclude that the rush would encourage economic growth, without trying to weigh the chances whether it would be so rapid as to be dangerous. When the time comes, if it appears likely that the boom will get out of hand, it should be possible to delay the cuts in personal income taxes. It might be wise, and feasible, to save a second personal tax cut for later use.

All this adds up to the fact that in the long run the economy can grow as fast with a low, as with a high, military component. It should be noted, too, that the civilian market grows in more stable fashion than does the military market.

One danger, however, should be recognized. The need for basic research will be even greater if civilian markets become a larger proportion of total markets.

If the savings rate is high, and research and development outlays remain high, resources are available for a relatively fast expansion and replacement of capacity. This will permit a rapid growth in productivity. If the economy is largely civilian, this means that most of the growth will be realized through increases in the standard of living.

In spite of the advantages of a peace over a war economy, the shift will bring some pressures—notably inflationary pressures. There will be adjustments to make.

Russia, meanwhile, gives few substantial indications that she is willing to limit the struggle for world domination to the economic field alone. But if the day ever comes when the Soviet is willing to fight with plowshares rather than swords, our standard of living will rise faster than ever and our cyclical swings will be reduced.

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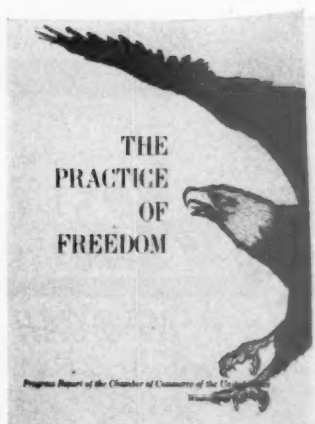
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Nebraska Stock Growers Association
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"'THE PRACTICE OF FREEDOM' is both splendid and timely. We would like to have five more copies."

—B. M. Bloomfield, President
Bloomfield Steamship Company
Houston, Texas

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"'THE PRACTICE OF FREEDOM' does a tremendous job of explaining the operations of the National Chamber, the relationships between the National Chamber and local organizations, and the aids that are available to local chambers."

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President, Greater Hazleton
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ASSISTANTS

continued from page 35

distribution and discount setup is all wrong and we have another eight or ten losing months ahead until we can get it changed. It really hurts me to see us standing still on new products while the industry in general is booming, but we've got to get our finances and selling operation in shape before we can put money into anything else."

Somehow or other, the notion of letting research people in on the sacred subject of company finances seemed out of the question to this executive. Yet just a few words of explanation and a hint that better times were coming would have rescued a whole department from serious loss of morale.

4. "He's got a closed mind about people. Once a man has made a mistake, he can never live it down. Or if he likes a person, he may overlook all kinds of shortcomings."

This complaint is paralleled by resentment about apparently illogical promotions. Many employees seem to feel that those who move upward in the organization are following predestined courses because they just happen to hit it off with the boss. Both seniority and merit, they feel, run second and third to the caprices of personal chemistry.

The charge often shows a keen insight on the part of subordinates who voice it. Industrial psychologists say that almost every executive, however fair-minded he tries to be, tends to see some men as all black or all white.

They call this a "halo effect," meaning that when one quality makes a man appeal to the boss, he may acquire a halo that casts a pleasant glow on everything else he does. In the same way, an adverse reaction to one small part of his work may tend to give another man horns and a tail in his superior's eyes. Those are both extremes. But a little of the same principle affects us all. There is no cure, but there's an antidote just in knowing that this is so and in guarding against it.

The subject of human relations is so delicate that frequent self-checks are urgently important. Ask yourself:

► Of the promotions I've made in the past year, how many were decided on the basis of seniority, how many on the basis of merit, how many for other circumstantial reasons?

► Where merit was supposed to be

a factor, how did I arrive at the rating?

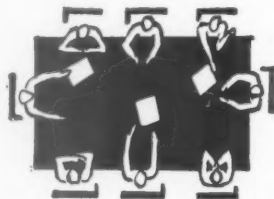
► Have I made it clear by my actions that past mistakes can be wiped out by future performance, or do my people tend to lose heart after a failure or two? (One clue to this is a tendency to hide errors from you at almost any cost.)

5. "He is petty. He pays more attention to trifles than to the major details of the business."

Included in the specific charges was the feeling that the superior attached undue importance to punctuality or to the physical appearance of letters and reports.

Some carried the definition of "pettiness" a little further by criticizing the superior for sidetracking employees who had taken one drink too many or who seemed too interested in the opposite sex, even though they were probably better producers than their more strait-laced colleagues.

This complaint may range all the



way from triviality to one of the most serious that can be made against an executive.

"If you think your people consider you an old maid because you're sticky about working hours and neat desks, stop worrying," says one older management consultant who has seen many of the nation's best executives at work. "Meticulous attention to little details is often the mark of one type of terrific manager who is also a perfectionist in big things. But if there's any suspicion in your mind that you may sometimes fail to see and concentrate on the most important things first, better take a good look at your whole way of working."

There's a good practical rule of thumb for judging yourself on this score: Keep an eye on the amount of time you devote to thinking, talking and writing about subjects related to the essentials of your business. To ensure accuracy, keep a written tabulation of your activities for a couple of weeks. If the vitals are taking 75 per cent or better of your working time, there's little danger that petty subjects will become a serious problem.

6. "He doesn't really have a policy or plan. He just makes up the rules as he goes along."

One sales executive who cited this complaint against his company's chief executive illustrated by saying: "We always claim that our primary interest is in giving our customers the best possible service. We say—even to each other—that we're aiming at long-term relationships, not just month-to-month profits. But the moment we have a chance to make a permanent friendship by taking a temporary beating on one contract, I'm told that it's not realistic."

Another critical employee—the chief accountant of a shoe manufacturing company—said his controller always talks about "accuracy at all costs" when there's been an error in allocating an expense item. But if a quarterly statement is held up a few extra hours for rechecking, he snaps, "We've got to turn these reports out on time, even if a few adjustments have to be made later."

The complaint about lack of plan is often true. It's a rare manager who doesn't do more momentum-riding than real planning.

One financial vice president, who is actually a paragon of forethought in the forward-planning of his chemical company, is considered erratic and unpredictable by subordinates. An occasional few seconds of effort on his part could correct this and avoid the frantic scrambling that his people go through to keep up with his shifts.

This financial officer recently reversed his position on acquiring property in Brasilia, the new capital city of Brazil that's being built from scratch 600 miles from Rio de Janeiro. Up to a certain point, he was enthusiastic about the prospects of buying into a potential new boom town; a few days later, he declared himself against it.

"R. F. has been consulting a spirit medium again," said one of his confused assistants wearily. Actually, he had consulted with several State Department officials and foreign banking experts. They had all guessed that many Brazilian people would stay in Rio and that Brasilia would grow less rapidly than the finance officer had anticipated. The need for haste had been lessened. A few words to summarize these conclusions for his people would have been well worth this vice president's time.

Yet, annoying as R. F.'s shortcoming may be to his associates, it's minor compared to some cases where Complaint No. 6 signals a

real illness in the organization. In three of the instances where this criticism was heard the real trouble was found to be a major one:

► The sales manager of a large auto dealership complained that the general manager he worked for kept changing policy on trade-ins and discounts almost monthly. What he didn't realize was that the problem originated at an even higher level: The firm's owner was speculating in real estate. He had begun to think of his auto business as secondary and to use it as a reservoir of cash for his property deals. Every time he withdrew funds, the company had to unload inventory on any terms.

► The advertising head of an office equipment firm could get no answer to his proposals for new campaigns. He thought the president was becoming indecisive because he was aging. Actually, his chief executive was struggling with the board of directors to avoid retirement and he was sidestepping all important decisions for fear of displeasing any one of the board members.

► An electronics firm where many employees had the impression of aimless drifting was actually suffering from a personal feud that had developed between the two controlling partners.

Error and the appearance of error

It is clear from several of the examples given that just recognizing the existence of these complaints may be a big step toward their cure. The financial officer who doesn't explain his reasoning or the executive who happens to have several assistants of the same religion can eliminate the trouble almost as soon as they realize it's there. Where the problem is one of misunderstanding, the proportions—though not always small—are at least of measurable extent.

But it is a natural mistake to look at this relatively simple problem and ignore its serious counterpart. Where any of these six complaints exist among the men to whom you have given positions of authority, there is enough smoke to warrant the suspicion of considerable fire. Better to overestimate its seriousness than to assume that it will blow away.

—CHARLES A. CERAMI

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Executive Trends

Over-forty freeze begins to thaw

One of the most interesting new developments in the executive manpower field is a marked shift away from the hiring bias against men over age 40 or 45. "Two or three years ago," comments one executive recruiter, "if you were more than 40 and looking for a job, you might as well have shot yourself."

Now, the glacial rigidity of policies against hiring older managers is giving way to a recognition that the executive of 40 or 50 is often the most desirable person to choose for a position of great responsibility in upper or middle management.

► "The truth of the matter," says New York executive search specialist J. Francis Canny, "is that some management development programs have failed to develop up promotable managers. This, plus the fact that many firms have found that younger men to whom they have given managerial responsibility have failed to show the leadership qualities and maturity that the competitive pressures demand."

The job picture looks like this

The greater interest in older men which industry is displaying (see above) is forcefully underscored by comments in a recent management research paper prepared by the Research Institute of America for private circulation to its subscribers.

The report points out that companies which are currently "executive-starved" are increasingly on the lookout for men "who can do the job now," not at some future time.

To get around the pension problems which hiring of older men creates, some companies, according to RIA, are hiring older managers and accepting the added cost of retirement as part of the cost of doing business. In other cases, companies are asking the overage candidates to sign waivers of pension rights.

► All current measurements of demand for executive talent point to a boom market. Executive Manpower Corporation of New York, surveyed 1,700 leading companies throughout America, found need for more than 5,600 top executives within the next six months. More than half of these executive openings will be newly created positions.

Tempting talent—a thriving line of work

As the tempo of demand for capable managers quickens in step with the economy's upward surge, a growing number of companies are placing their manpower problems in the hands of specialists. The specialists are executive recruiters, or "executive search

specialists," as they are sometimes called. Their organizations scout talent for client companies, working from more or less precise specifications. The recruiters originally did most of their work for medium-sized companies, but today their clients include many large and small businesses.

The search industry has grown so rapidly that it has just spawned one of the seemingly inevitable outgrowths of growth—a trade association. The 15-member association—called, appropriately, The Executive Recruiting Association—will have headquarters in New York City and will work to upgrade standards and ethics in the burgeoning field of recruitment.

► Many factors prompt a business to seek executive talent on the outside, rather than from within. An analysis prepared for *NATION'S BUSINESS* by one recruiting organization mentions such considerations as, 1, a desire of company boards to get entirely new blood at the top—something that is often difficult to achieve if an outgoing president has converted his subordinates into carbon copies of himself; 2, a desire to get a specialist (perhaps a lawyer) to handle a special company problem; or, 3, a desire to get a neutral outsider to offset warring internal elements.

Some useful recruiting tips

Are you wasting the money you spend to recruit scarce technical people? You could be, if your recruiting techniques include the use of antiquated practices that repel potential employees.

Cadillac Associates, Inc., large Chicago executive and technical recruiting organization, is conducting confidential seminars for companies that hire large numbers of engineers. The purpose of the seminars is to point out hiring pitfalls.

The seminars stress that we are in a buyer's market for engineering talent, and that recruiters have to be salesmen; that such psychological factors as recognition, acceptance and appreciation often are forgotten by those who make the pitch to job candidates.

Cadillac Executive Vice President Eugene B. Shea points out that many firms are using application forms that were developed in depression days, when engineers were waiting outside plant gates for jobs.

► One well known firm that hires many engineers still uses an application blank in which a prospective employee consents to pay for his own physical examination and agrees to prove his birth and citizenship. The form also trumps the company's right to deduct from the employee's pay the value of any tools he might lose.

Have you tried—

The "incident process" or the "in-basket" techniques in your management training program? Both methods are gaining increasing favor with organizations which conduct in-service training.

The incident process is somewhat similar to the case-method idea and was devised by Prof. Paul Pigors of the Massachusetts Institute of Technology. Incidents in a company's operational life are presented, and student-executives are invited to tell how they would handle each situation.

► The "in-basket" technique is a simulation exercise in which a number of varied items are in the executive in-basket, and the trainee is expected to show what action he would take on each item and be ready to defend his action. Management authorities say the in-basket technique is useful in learning lessons on the management of time, delegation and planning.

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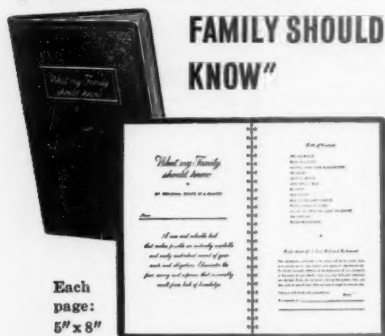
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UNION LEADERS

continued from page 39

of business. He usually is more influential, too, because he carries the threat—implied or otherwise—of political retaliation through labor's political machine against a reluctant colleague.

► In Congress, one senator and 10 House members have held union office or were employed by unions. At least nine others in the House carry union cards. With rare exceptions, they support and push union causes. In contrast, there are men in Congress from business who vote as unions want more often than not.

► Union men also serve on the staffs of and advise some members of Congress who either have strong union leanings or owe their election to union political support.

► In state legislatures, unionists in leadership positions have influenced tax, election spending, unemployment compensation and other leg-

isolation in the direction unions wanted.

► As city officials and members of school boards, some men from unions have taken or inspired various actions considered detrimental to business.

► Judges with active union backgrounds sit on cases involving unions. One of them wrote a decision of the Michigan Supreme Court this year which upset a precedent of 18 years and favored the union for which he had worked as paid organizer.

No one will challenge the right of any competent and honest citizen to serve his government, regardless of background or affiliations.

The union man is eager, willing, able and encouraged to serve in public office.

Whereas businessmen and management employes may be reluctant to seek public office for personal or business reasons, or may be discouraged by company policies, unions encourage political activity. Where possible and necessary, un-

How unionists in Congress look at unions

Four unionists were on the joint subcommittee which conducted the House hearings on labor reform legislation. All Democrats, they are Rep. John H. Dent of Pennsylvania, and Rep. Roy W. Wier of Minneapolis, former union officials; Rep. Elmer J. Holland of Pittsburgh, a member of the United Steelworkers; and Rep. Roman C. Pucinski, *Chicago Sun-Times* newspaper reporter and member of the Newspaper Guild.

Three of them during the hearings made statements partial to unions.

Mr. Wier, discussing picket lines he had organized, said, "My allegiance is for the fellow who lives across the tracks all the time."

Mr. Pucinski asked a woman clerk who objected to being coerced by pickets trying to force her into a union:

"If one store has a union and they have certain standards of salaries, and the other store increases salaries in order to preclude unionization, do you think that the employees of that other store should get that free ride?"

Mr. Dent, on a similar point, told the clerk, "My cure has always been that the benefits derived from union membership should only be paid to union members, and nonunion members in your store should not receive any of the benefits, like vacations with pay."

ions grant leaves of absence and provide financial, manpower and other assistance.

A straw in the wind may be a law passed by the Connecticut legislature, which has four members of the Machinists Union. It protects an employe from being penalized in his job because he runs for elective office or takes time off to perform his duties after election.

The best union friend in public office is an effective and loyal union member. "He understands our problems," says the AFL-CIO's chief lobbyist, Andrew J. Biemiller, himself a former union organizer, Wisconsin legislator and two-term member of Congress. "The union man also knows parliamentary procedure; on this he has it over everybody else."

The man who runs labor's biggest political machine, James L. McDevitt, director of the AFL-CIO Committee on Political Education, told NATION'S BUSINESS:

"We feel that it is particularly appropriate for a union member to run for office inasmuch as he is more likely to reflect the views and the thinking of a vast group of people who, up to now, have been under-represented in the legislative halls."

At the same time, Mr. McDevitt says that not all union men who run for office get AFL-CIO support. Official support is withheld from those unionists who are not qualified; who want to run against an incumbent who has been friendly to labor's viewpoint; or who have no chance of being elected and who, by running, may hurt the better chances of a union friend.

The AFL-CIO has, in fact, a rule that it will back no member for elective office if he announces his candidacy before discussing the matter with a union screening committee. In some cases the organization tries to discourage a member from running. For this it has been accused of dictating the candidates.

The United Steelworkers of America, which has political directors in each of 29 district offices, claims to have several thousand members in public office, mostly in local governments, "who can help solve problems of our members."

"Scores of steel communities are shining examples of better government because union members did more than stand on the sidelines and gripe," says David J. McDonald, Steelworkers' president.

Most union leaders and union men in public office will say they subscribe to the view of Walter P. Reuther, president of the United Automobile Workers, who told this

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UNION LEADERS *continued*

magazine that, "Once elected, or appointed, the trade union member should be expected to work in the service of his total constituency, rather than any segment."

The evidence seems to indicate that, although on legislative issues the union man almost always supports the union position, those union men who hold executive responsibility—such as heads of city governments—work for the whole community.

The record is easily followed:

In Congress

Union men in Congress are helpful to organized labor in many ways, but chiefly through their votes and their availability as spokesmen.

The Senate: Sen. Patrick V. McNamara, Michigan Democrat, is the only former union official in the Senate. Formerly head of AFL Pipefitters Local 636 in Detroit, Senator McNamara, when elected, was vice president in charge of sales and customer contacts for an industrial piping company while still actively heading the union without pay. Membership on the Detroit Common Council and Board of Education provided his previous experience in government.

Senator McNamara for a while sat uneasily on the McClellan Rackets Committee. He serves on the Labor Committee and was one of the conferees who agreed on the labor reform bill, recently passed.

The senator introduced a bill proposing a 35-hour workweek and has a perfect 23-0 score of "right" votes in the Senate on the AFL-CIO score sheet. Otherwise, he has not been particularly active as a spokesman or fighter for union causes.

As a matter of fact, a former businessman has an even better voting record from the AFL-CIO viewpoint. Sen. Stuart Symington, Missouri Democrat, who has been in the Senate two years longer, has voted "right" 25 times without once voting against labor's wishes. He formerly was president of Emerson Electric Manufacturing Co. of St. Louis.

The House: The 10 House members who held union office and the nine others known to have been union members have, with one exception, an almost perfect record of voting the unions' wishes on labor legislation, although most of them have at times voted against the union posi-

tion on such nonlabor issues as reclamation and foreign aid.

The exception is Rep. J. Carlton Loser, Tennessee Democrat, who joined the International Typographical Union in his youth but was an attorney and prosecutor for 30 years before entering Congress.

Mr. Loser voted for the Landrum-Griffin labor reform bill.

In contrast, at least three House members from business voted against the Landrum-Griffin measure, which business groups supported. They are Rep. Glenn Cunningham, Nebraska Republican, formerly manager of the Omaha Chamber of Commerce Convention Bureau; and two California Democrats, Rep. John E. Moss, former real estate broker, and Rep. Cecil R. King, who operated a cleaning establishment. On the AFL-CIO score sheet, Mr. Moss voted "right" 25 times out of 25 and Mr. King 30 times out of 32.

Two other men in the House with business backgrounds who are rated by the AFL-CIO as voting more often the way unions want are Rep. Thomas M. Pelly, Washington Republican, and Rep. W. R. Hull, Jr., Missouri Democrat.

Mr. Pelly, former president of the Seattle Chamber of Commerce, is given a 13-11 record in labor's favor. Mr. Hull, former president of the Leavenworth (Kan.) Chamber of Commerce, has a 10-8 record.

Former union officials in the House include:

Rep. Jerry Cohelan, California Democrat, secretary-treasurer of a Milk Drivers local of the Teamsters.

Rep. John H. Dent, Pennsylvania Democrat, president of a United Rubber Workers local and member of the union's international council.

Rep. John E. Fogarty, Rhode Island Democrat, president, Local 1, Bricklayers Union.

Rep. Edward A. Garmatz, Maryland Democrat, business representative, International Brotherhood of Electrical Workers.

Rep. Harold T. (Bizz) Johnson, California Democrat, district chairman, Brotherhood of Railway Clerks.

Rep. Joseph E. Karth, Minnesota Democrat, organizer, Oil, Chemical and Atomic Workers.

Rep. George M. Rhodes, Pennsylvania Democrat, labor paper editor and for 23 years president of the Reading Federated Trades Council.

Rep. John F. Shelley, California Democrat, president of Bakery Wagon Drivers local of the Teamsters,

and of the San Francisco and California Federations of Labor.

Rep. Roy W. Weir, Minnesota Democrat, representative, Minneapolis Central Labor Union.

Rep. Gardner R. Withrow, Wisconsin Republican, state legislative representative for railroad brotherhoods.

Mr. Shelley says he has served many other interests besides labor and has stayed off the House Labor Committee because he did not want to be "just another labor man." He feels that his experience in negotiating labor contracts with the San Francisco Employers Council and other employers has given him an understanding of business as well as human problems.

In the recent fight over labor reform legislation, it was his bill—the Shelley Bill—which the AFL-CIO unsuccessfully tried to get substituted for the House Committee (Elliott) bill before the stronger Landrum-Griffin bill was passed.

Mr. Shelley says he roughed out the bill himself, based on his personal experiences in labor-management relations, but that 12 other members of the House and a number of union attorneys helped perfect it in his office before it was introduced under his name.

On Capitol staffs: Union men serve on the staffs of congressional committees and members of Congress.

An example is John J. (Jack) Flynn, legislative counsel for Sen. Hubert H. Humphrey, Minnesota Democrat. Before joining the senator's staff this year he was counsel for the Senate Select Committee on Small Business.

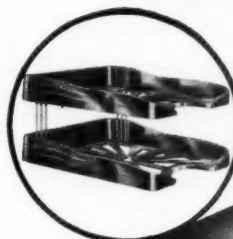
From 1952 to 1955, Mr. Flynn was legislative director for the International Union of Electrical Workers. This is the union whose president, James B. Carey, wrote a letter interpreted as threatening political retaliation to the 229 House members who voted for the Landrum-Griffin labor reform bill.

While attending the University of Minnesota Law School, from which he was graduated in 1951, Mr. Flynn worked in the legislative department of the Minnesota CIO. For a part of 1951 he worked for the CIO Political Action Committee.

At present, he told NATION'S BUSINESS, "I watch the legislative picture for the senator."

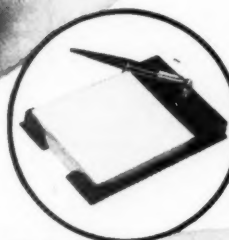
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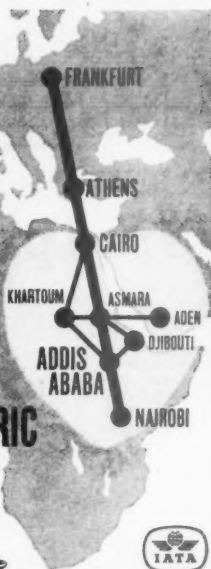
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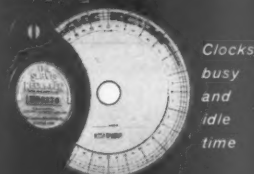
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UNION LEADERS

continued

senator's mail on legislative matters; preparing research and background material and sometimes sitting at the senator's side to help him on the Senate floor when bills he wants to debate come up.

Senator Humphrey was a co-sponsor of the Kennedy-Ervin labor reform bill which the AFL-CIO found satisfactory until the Senate strengthened it before passage.

Two other congressional staff men are from Mr. Reuther's UAW.

Samuel Rizzo, who is chairman of the UAW Political Action Committee as well as the Democratic County Committee in Racine, Wis., is an assistant to Rep. Gerald Flynn, the first Democrat Racine has sent to Congress since the panic of the 1890's. Mr. Rizzo was chairman of Representative Flynn's campaign and got him elected by a margin of less than one per cent of the votes cast.

Representative Flynn, an attorney and former state senator, says he welcomed "the active and open support of organized labor," but insists that he will not be dictated to by any group. "I have promised," he says, "to serve all segments."

William G. Phillips, administrative assistant to Representative Rhodes, is a young political scientist who did legislative research in the UAW Washington office before joining Representative Rhodes' staff.

In state capitals

At the state level, union men are found most frequently in the legislatures and in the labor commissioner's office, where they administer laws relating to workers, working conditions, labor-management relations, industrial safety and the like.

The legislatures: The United Mine Workers alone claims to have about 20 members in the legislatures of coal-mining states.

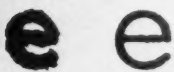
In Utah, Frank Mennott, fresh out of the mines, led a fight in the House to repeal the state's right-to-work law and failed by only five votes. (Thomas Kennedy, UMW vice president, was lieutenant governor of Pennsylvania while secretary-treasurer of the union 25 years ago.)

In Wisconsin, George Molinaro, of Kenosha, an hourly worker on the motor block line at American Motors Corporation and former president of UAW Local 72, is

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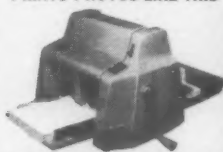
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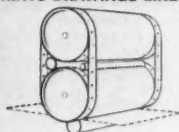


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Speaker of the House, which is controlled by Democrats for the first time in 26 years.

Serving his seventh term in the legislature, Mr. Molinaro is viewed as one who goes along on most labor-sponsored legislation, although not considered a "wild liberal." His biggest achievement was getting revision of the State Corrupt Practices Act to remove the restrictions on union election campaign contributions but retain the curb on corporation political spending. He also put through the House a revision of unemployment compensation which would have allowed lay-off benefits to employees who are idled because of a strike by their union at another plant of the same employer. The Senate killed it.

In Ohio, Sen. Frank W. King of Toledo, member of Bricklayers Union Local 3, served as majority (Democratic) leader of the Senate. His chief deputy was Sen. Charles J. Carney of Youngstown, legislative director of United Steelworkers District 26.

The legislature enacted a tough Fair Employment Practices law; Ohio business was hit hard with new taxes, including a tripling of the corporation franchise tax. Unemployment and workmen's compensation benefits were increased substantially.

Senator King told NATION'S BUSINESS he approaches legislative issues with an open mind and that in the last session he tried to shift the new tax burden equitably and didn't want to do anything to hurt the competitive position of Ohio industry.

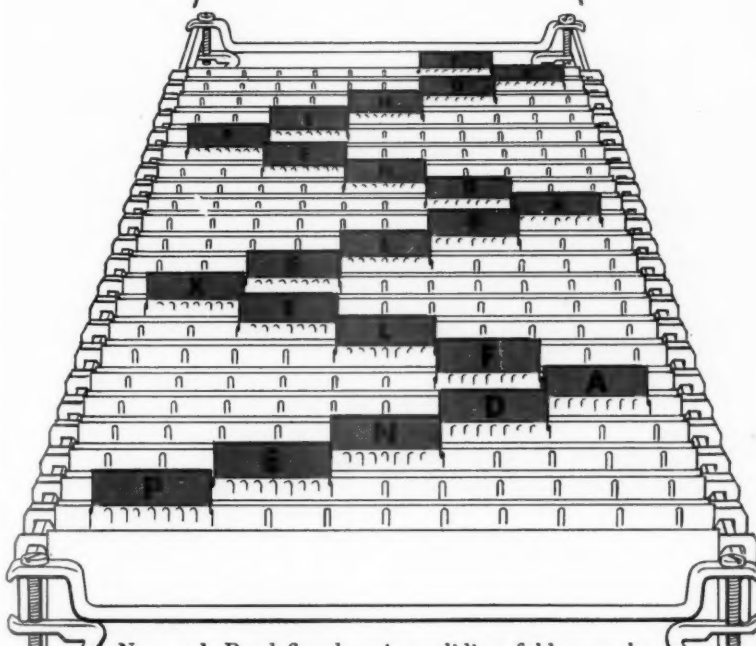
Newspapermen picked him as the outstanding member of the Ohio Senate. He has held many local union offices, but is employed by the Toledo Board of Education as an instructor of bricklayer apprentices and coordinator of the building trades apprenticeship program in which employers participate.

Michigan, home of the politically minded UAW, probably has the heaviest concentration of union legislators of any state, at least 21. All are Democrats and 19 of them are in the House, where Democrats function as the minority, although the party division is even, 55-55. The Senate is 22-12 Republican.

Seventeen of the 21 are former union officials and 12 are UAW members. One of the UAW men, Joseph J. Kowalski, who is an international representative of the union and has held many positions in worker education, is House minority leader. Another, John J.

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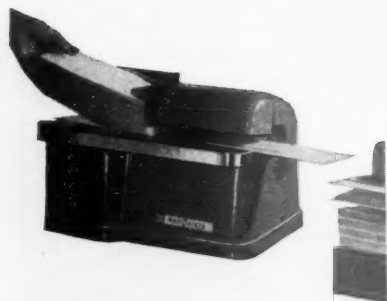
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UNION LEADERS

continued

Penszak, was the UAW's political coordinator when elected last fall, but the union laid him off early this year in an economy move.

Michigan business leaders say that the Democrats in the legislature are 99 per cent responsive to the Michigan AFL-CIO.

"When Representative Kowalski speaks," a businessman says, "he speaks not only as the minority leader but also as a man who can prevent the re-election of any Democrat on the floor."

Labor Commissioners: In Kansas, the State Labor Commissioner, who among other things administers unemployment compensation (financed by employers) and conducts union representation elections, is by law a union man.

He is Harold L. Smith, former aircraft worker who ran the UAW political group in Kansas City which helped elect Gov. George Docking, a Democrat.

Businessmen say they had no problem with the legal requirement of a union member in the commissioner's post until recent years when men were appointed who seemed to seek opportunities to favor the unions.

Business leaders hope to get the legislature to separate the employment service and unemployment compensation from the commissioner's responsibilities because both are financed by employers and therefore should not necessarily be administered by a union man.

In California, the director of industrial relations, John F. Henning, once state AFL-CIO research director, has responsibility, among other duties, for mediation of disputes and enforcing labor laws. His subordinate in charge of labor law enforcement, E. Sigmund Arywitz, was a staff organizer for the International Ladies' Garment Workers' Union and education director for the union's Pacific Coast Department.

Civil Service Commission: In Massachusetts, Seraphin P. Jason of New Bedford, secretary-treasurer of Teamsters Union Local 59, was recently appointed to the State Civil Service Commission by Gov. Foster Furcolo.

Local governments

City Manager: In Flint, Mich., Robert Carter, former auto plant hourly employee, stepped out of his

\$12,500 job as regional director of UAW to accept appointment as city manager at \$14,700.

"The city pay is more, but the job isn't worth as much as the UAW post when union fringe benefits, which include insurance, severance pay and car allowance, are considered," Mr. Carter says.

He told NATION'S BUSINESS that his job requires administrative and public relations ability, and that it makes no difference where you get it—in business, in industry, or in labor—just so you have it.

He says that both business and unions are watching him to see if he favors the other, "and that keeps me pretty much upright."

Mr. Carter was appointed manager by the Flint City Commission, of which he had previously been a member and whose presiding officer, with the title of mayor, is a former plant electrician and UAW member, Robert J. Egan. Mr. Egan now sells advertising. UAW member Floyd J. McCree, a shop employee, is also on the Commission.

Mayor: The \$25,000-a-year mayor of Newark, N. J., is Leo Carlin, who was president of Teamster Union Local 478 while serving on the city commission and until he became the city's first mayor. A Democrat, he was re-elected to a second four-year term last fall.

While a commissioner, Mr. Carlin led the drive for the mayoralty form of government which business favored. He has appointed qualified men from both business and labor to city posts, according to Newark people who add, "He brought efficiency to City Hall."

Trucking employers who dealt with Mr. Carlin as a union leader saw no evidence of the corruption that has been exposed in other Teamster organizations.

In Hoboken, N. J., the mayor is John J. Grogan, head of the ship-building workers union.

City Council: This is a common starting place for unionists interested in holding elective office. Elections usually are by wards or other sections of a city and a union man can sometimes have little difficulty getting elected from a working-class section. Four union men are running for City Council in Toledo, O.

These councils sometimes are asked to take a stand in a labor-management dispute, and sometimes do. In at least eight cities, for instance, the councils voted to boycott the use in city buildings of Kohler plumbing products as part of a national boycott being pushed by the

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UNION LEADERS

continued

UAW, which has been on strike against Kohler Co. since 1954.

In an Indiana town recently, three strikers who are members of a seven-man City Council almost succeeded in getting an ordinance passed that would have stopped supervisors from continuing to operate the struck plant, using safety as the reason.

The Detroit Common Council where Senator McNamara once served, has two members who are officials of UAW. One of them, Edward Carey, had been Democratic floor leader in the Michigan House.

Boards of Education: In St. Louis, Board member Oscar A. Ehrhardt, president of the St. Louis Labor Council, last June led a walkout of six members that prevented a meeting from being held. Reason: A newspaperman assigned to cover the meeting was working for a paper whose stereotypes were on strike. The newspaper was trying to keep up with the news until publication resumed.

The Board president is also a union official, H. Lee Bruns, president of Local 1, International Brotherhood of Electrical Workers. He did not walk out, but said he would have if he were not presiding.

In the Trenton, N. J., area, three school boards, each with at least one union member, have voted not to take part in Business-Education Day—an annual event in which business groups sponsor visits by teachers to industrial plants. They acted after unions charged that the teachers were used as captive audiences for antilabor propaganda.

In Oakland, Calif., the chairman of the school board is John King, grand lodge representative of the International Association of Machinists.

Seeking election to the school board in Cleveland is Walter L. Davis, education director of Retail Clerks Local 880. Last fall Mr. Davis directed publicity for the successful union drive against the right-to-work referendum in Ohio.

Tax assessor: Two unionists serve as tax assessors in communities near Schenectady, N. Y.

Norman Barrett, member of the International Union of Electrical Workers, is assessor in Galway. Frank Clark of the machinists is chairman of the board of assessors in Charlton.

Harbor commissioner: A member

of the Milwaukee Harbor Commission is Frank Raney, secretary-treasurer of the 6,500 member Local 200 of the Teamsters Union. When the Kohler strikers successfully kept a foreign ship with British clay consigned to Kohler from being unloaded at Sheboygan, Wis., Mr. Raney reportedly participated in a decision granting permission for the ship to dock in Milwaukee. The Teamsters and UAW never have been very cooperative.

Sheriff: In Letcher County, in eastern Kentucky, the sheriff is Johnny Fulton, who was president of his United Mine Workers local and working in the coal mines when elected in 1952 to the first of four two-year terms.

UMW sources say that small coal operators claim Sheriff Fulton refused their request to deputize men to prevent violence in a dispute with the union. State police helped out.

The courts

On the Michigan Supreme Court is George Edwards who, as an organizer for UAW, served 30 days in jail for contempt of court for violating an injunction against the sit-down strikes of 1937.

"That is the best-known political fact in Michigan," Judge Edwards told NATION'S BUSINESS, recalling that he has run for office about 15 times since 1939 and recently was elected to another eight-year term which begins next January.

Judge Edwards feels he has made a career of public service, having held public office for all but two of the past 20 years, and that to owe allegiance to any group or interest would violate his constitutional obligation as a judge.

Nevertheless, a number of business sources in Michigan feel he should at least have disqualified himself from sitting on the unemployment compensation case which involved the Ford Motor Company and the union he once served. At stake was a point of law that affected all business in the state.

The facts were these: In 1953, the UAW struck Ford's forge plant at Canton, O., while trying to pressure the company to revise its five-year labor contract, which still had two years to run. This forced three other Ford plants in Michigan to close.

In a 1941 decision involving Chrysler Corporation, the Michigan Supreme Court had ruled that under such circumstances the company's plants were to be construed as part of a single establishment, and those



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UNION LEADERS

continued

laid off by reason of their own union's action were not entitled to unemployment compensation.

In the Ford case, a majority of the present court rejected the interpretation that plants as far separated as Detroit and Canton could be considered a single establishment. This entitled the laid-off workers to unemployment compensation, which is financed by employers, and led Ford management to complain that it was put in a position of helping finance a strike against itself.

Judge Edwards says it would be unfair to his colleagues to imply that he could have influenced their judgment. He adds that the decision follows the position seven out of eight other states have taken on similar laws.

In Detroit, Judge Nathan J. Kaufman, who was president of UAW Local 142 and on the Wayne County CIO executive board during the war, is the successor to Judge Edwards in Probate Court.

In Rotterdam, N. Y., near Schenectady, Judge Leland Thomas is a member of Local 301 of the International Union of Electrical Workers. He was elected.

In California, a new judge on the District Court of Appeals is Matthew O. Tobriner, who has represented various labor organizations, as well as some business groups, and last year was counsel for the Western Conference of Teamsters.

Judge Tobriner told NATION'S BUSINESS that his association with unions had nothing to do with his appointment by Gov. Edmund G. (Pat) Brown; that he had helped draft several labor reform bills for the governor which unions opposed. Businessmen who have dealt with Judge Tobriner at the bargaining table say they respected his word.

In Wisconsin, apparently, the AFL-CIO does not have a friend on the State Supreme Court. At a meeting of AFL-CIO political leaders last spring, after a labor-endorsed candidate was defeated, dis-appointment was expressed over missing an opportunity to get "someone friendly to labor" on the Supreme Court. **END**

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The Landrum-Griffin Act imposes new responsibilities on businessmen as well as labor leaders.

In spite of statements made in debate, this measure is neither antilabor nor pro-business. Its purpose, as President Eisenhower explained, is "to protect the American people from the gangsters, racketeers and other corrupt elements who have invaded the labor-management field" and to permit employers and unions to "operate in this field under the sanction and protection of federal law."

The law prohibits no proper union activity. Labor leaders will learn to operate under it as they have learned to operate under Taft-Hartley, which they once bitterly complained was a "slave labor law."

Wise businessmen will do the same. They will recognize that the public demand for reform came from revulsion against abuses—not revulsion against the labor movement or unions generally. Unions still hold a rightfully high place in public esteem. By pre-

venting the excesses of the few, this act will give added strength to the many.

Undoubtedly the act has imperfections. Court decisions may be needed to clarify some meanings. Amendment may be advisable to reduce or remove hardships of compliance by either business or labor. So long as employers and employees are human, no law can cover all eventualities in their relationships.

But if all those affected approach their new responsibilities in good faith, foregoing whatever advantage the law unintentionally gives them, refusing to exploit whatever loopholes still permit the kind of conduct the law purposes to prevent, better business-labor relationships are at hand.

The law was conceived in fairness.

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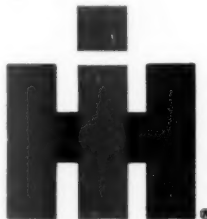
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